92-2234

A	ANCONA GROUP LTD	10Q	03-31-92
B	ASHLAND FINANCIAL SERVICES INC	10Q	01-31-92
C	BANCTENN CORP	10Q	03-31-92
D	BEEPER PLUS INC	10Q	12-31-91
E	CHEMEX PHARMACEUTICALS INC	10Q	03-31-92
F	BEEPER PLUS INC	10Q	09-30-91
G	DEVLIEG-BULLARD INC	10Q	01-31-92
H	ELECTRONIC TECHNOLOGY GROUP INC	10Q	01-31-92
I	HALLWOOD INDUSTRIES INC	10Q	05-30-92
J	GLOBAL ENVIRONMENTAL CORP	10Q	01-31-92
K	GLOBUS GROWTH GROUP INC	10Q	11-30-91
L	GRAYHOUND ELECTRONICS INC	10Q	05-31-92
M	KELLEY OIL CORP	10Q	03-31-92
N	LATSHAW ENTERPRISES INC	10Q	01-31-92
O	LINDSAY MANUFACTURING CO	10Q	02-29-92
P	MARIETTA CORP	10Q	12-31-91
Q	ORION FINANCIAL LTD	10Q	12-31-91
R	RAINSHINE CORP	10Q	02-29-92
S	SDN BANCORP	10Q	03-31-92
T	SEAL FLEET INC	10Q	03-31-92
U	SERAGEN INC	10Q	03-31-92
V	STANDARD METALS CORP	10Q	03-31-92
W	STATE RECREATION INC	10Q	12-31-91
X	SURVIVAL TECHNOLOGY INC	10Q	01-31-92

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q
Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended	Commission file number
March 31, 1992	33-13474-NY

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ANCONA GROUP, LTD
(Formerly The Imperial Group I, Ltd.)
(exact name of Registrant as Specified in Charter)

Delaware	13-341553
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

710 Calle Cumbre, San Clemente, Ca. 92673
(Address of principal executive offices) (Zip code)

(714) 361-2284
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the pas 90 days. Yes X No_____

The number of share of Common Stock outstanding as of March 31, 1992 is 3,707,500.

LAWRENCE [illegible]
[illegible]

6310 San-Vicente Blvd-Suite 500-Los Angeles-California 90048-(213) 934-5322
28570 Marguerite Parkway-Suite 225-Mission Viejo-California 92692-(714) 364-3848

July 10, 1992

Board of Directors
Ancona Group, Ltd.
Formerly Imperial Group I, Ltd

Dear Sir;

The accompanying balance sheet of Ancona Group Ltd, formerly Imperial Group I, Ltd as of March 31, 1992 has been compiled by us in accordance with the standards set forth by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying balance sheet as of March 31, 1991, and the income statement of the Company for the three months ended March 31, 1992 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operation and cash flows at March 31, 1992 have been made

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results of operations for the period ending March 31, 1991 are not necessarily indicative of the results for the full year.

ANCONA GROUP, LTD.
FORMERLY IMPERIAL GROUP I, LTD.
(A Development Stage Company)
Balance Sheet
March 31, 1992
Unaudited

ASSETS:			
Current Assets:		$ -0-	
Total Current Assets:			$ -0-
Non Current Assets:			
Investment in Subsidiaries		2,427,610	
Total Non Current Assets:			2,427,610
Total Assets:			2,427,610
LIABILITIES & STOCKHOLDERS EQUITY:			
LIABILITIES:			
Current Liabilities:			
Accrued Expenses		$ 2,700	
Total Current Liabilities:			$ 2,700
Non Current Liabilities:		-0-	
Total Non Current Liabilities:			-0-
Total Liabilities:			2,700
STOCKHOLDERS EQUITY:			
Common Stock par value $ .001 Authorized 50,000,000 Shares Issued & Outstanding 3,707,500 Shares		3,708	
Paid in Capital in Excess of Par		2,543,536	
Beginning Retained Earnings	$ (121,634)		
Current (Loss)	(700)		
Total Retained Earnings:		(122,334)	
Total Stockholders Equity			2,424,910
Total Liabilities & Stockholders Equity:			$ 2,427,610

ANCONA GROUP, LTD.
FORMERLY IMPERIAL GROUP I, LTD.
(A Development Stage Company)
Income Statement
For the 3 months ending March 31, 1992
Unaudited

REVENUE:		
Sales:	$ -0-	
Total Revenue:		$ -0-
EXPENSES:		
Legal & Accounting	700	
Total Expenses:		700
Net Income (Loss)		$ (700)

ANCONA GROUP, LT.
FORMERLY IMPERIAL GROUP I, LTD
(A Development Stage Company)
Statement of Changes in Financial Position
For the 3 months ending March 31, 1992
Unaudited

SOURCES OF WORKING CAPITAL:		$ -0-
USES OF WORKING CAPITAL:		
Net Income (loss)	$ (700)	
Total Sources of Working Capital:		(700)
Decrease in Working Capital:		$ (700)

ANCONA GROUP, LTD
FORMERLY IMPERIAL GROUP I, LTD.
(A Development Stage Company)
Footnotes to Financial Statements
March 31, 1992
Unaudited

FOOTNOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

The books of Ancona Group, Ltd (Formerly Imperial Group I, Ltd.) are maintained on the accrual basis of accounting.

FOOTNOTE II: INCOME TAXES

There is currently no income tax liability as of March 31, 1992 becasue the corporation has a net operating loss an Delaware Corporations do not have a minimum tax.

FOOTNOTE III: SUBSIDIARIES

Currently Ancona Group, Ltd, formerely Imperial Group I, Ltd owns to subsidiaries Summit Fine Arts, Inc. and Valparaiso Industries, Inc.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Not Applicable

Item 2. Changes in Securities.

Not Applicable

Item 3. Default Upon Senior Securities.

Not Applicable

Item 4. Submission of Matters to a vote of Security Holders.

Not Applicable

Item 5. Other Information.

Not Applicable

Item 6. Exhibits and Reports on Form 8-k

Not Applicable

Signature John Paredes

John M. Paredes, President

[redacted]

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 33-2799

Ashland Financial Services, Inc.
(Exact name of registrant as specified in its charter)

Kentucky (State or other jurisdiction of incorporation or organization)	61-0544028 (I.R.S. Employer Identification No.)

1600 Carter Avenue, Ashland, Kentucky 41101
(Address of principal executive offices)
(Zip Code)

606-329-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock outstanding at January 31, 1992: 6,000 shares (including shares in treasury)

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Ashland Financial Services, Inc.
and Subsidiary Companies
Consolidated Condensed Balance Sheets

Assets	January 31, 1992	April 30, 1991
Cash and Temporary Cash Investments	$ 139,227	$ 199,271
Instalment Notes Receivable		
Direct cash loans	9,117,877	8,720,263
Instalment sales contracts	975,182	995,991
Total	10,093,059	9,716,254
Less:		
Unearned income	627,222	556,022
Allowance for doubtful notes	609,105	383,778
Total	1,236,327	939,800
Instalment notes receivable - net	8,856,732	8,776,454
Property and Furniture and Fixtures (at cost, less accumulated depreciation and amortization of $222.556 for April 30, 1991 and $253,008 for January 31, 1992)	330,549	367,136
Inventory of Repossessions	325,595	372,004
Other Assets	176,834	182,140
TOTAL	$ 9,828,937	$ 9,897,005

Ashland Financial Services, Inc.
and Subsidiary Companies
Consolidated Condensed Balance Sheets

Liabilities	January 31, 1992	April 30, 1991
Accounts Payable	$ 20,330	$ 84,418
Unearned Insurance Commissions	104,887	97,997
Dealers' Reserve	65,186	74,595
Accrued Liabilities:		
Interest on notes payable	780,843	614,884
Salaries and wages	11,531	15,604
Vacation Pay	21,804	21,804
Other	38,338	62,854
Notes Payable:		
Banks	1,200,000	1,200,000
Subordinated	4,826,430	4,973,413
Senior Subordinated	1,400,000	1,400,000
Total Liabilities	8,469,349	8,545,569
Shareholders' Equity:		
Capital Stock:		
Common, par value $100 a share - authorized and issued 6,000 shares	600,000	600,000
Additional paid-in capital	57,000	57,000
Retained Earnings	705,088	696,936
Total	1,362,088	1,353,936
Less Common Stock in Treasury - 20 shares at cost	2,500	2,500
Shareholders' equity - net	1,359,588	1,351,436
TOTAL	$ 9,828,937	$ 9,897,005

Ashland Financial Services, Inc.
and Subsidiary Companies
Condensed Statements of Consolidated Income (Loss)

	Nine Months Ended January 31,		Three M Januar
	1992	1991	1992
Operating Revenues:			
Interest Income on Loans	$1,899,429	$1,721,863	$586,031
Insurance commissions	93,123	92,108	30,021
Other	27,485	16,324	5,185
Total Revenue	2,020,037	1,830,295	621,237
Expenses:			
Interest	643,295	727,387	208,567
Provision for doubtful notes receivable - net of recoveries on notes previously written off	407,687	183,215	85,859
Salaries and wages	434,042	453,087	130,468
Other operating expenses	523,183	496,473	178,369
Total Expenses	2,008,207	1,860,162	603,263
Income (Loss) before income taxes	11,830	(29,867)	17,974
Provision for Federal and State Income Taxes:			
Current	3,678	--	1,175
Deferred	--	--	--
Total	3,678	--	1,175
Earnings (Loss) applicable to Common Stock	$ 8,152	$ (29,867)	$ 16,799
Per Share of Common Stock:			
Earnings (Loss) applicable to Common Stock (A)	1.36	(4.99)	2.81
Dividends	--	--	--
Ratio of Earnings (Deficit) to Fixed Charges (B)	1.02	(.96)	1.09

Notes:

A -- Based on the weighted average number of shares outstanding, 5,980 shares in the nine month January 31, 1991 and 1992.

B -- Earnings used to compute the ratio of earnings to fixed charges are before income taxes ar charges (interest and amortization of debt discount and expense and premium on all indebte the portion of expense as is representative of the interest factor).

onths Ended y 31, 1991
$573,015
33,377
5,681
612,073
235,462
60,725
153,878
165,666
615,731
(3,658)
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Ashland Financial Services, Inc.
and Subsidiary Companies
Consolidated Statement of Cash Flows

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Nine Months Ended January 31,	
	1992	1991
Cash Flows from Operating Activities:		
Interest received from:		
Loans	$ 1,836,035	$ 1,633,193
Short-term investments	1,507	3,663
Late charges	30,122	32,456
Other charges on loans	42,125	36,808
Insurance commissions	93,124	92,108
Other income	25,978	12,661
Interest paid	(809,254)	(240,023)
Cash paid to employees and suppliers	(645,537)	(1,808,988)
Net cash used by operating activities	574,100	(238,122)
Cash Flows From Investing Activities:		
Principal collected on loans	9,466,035	10,120,338
Loans made to customers	(9,954,000)	(10,173,229)
Capital expenditures	(9,562)	(22,088)
Repossessions	(48,893)	(109,119)
Proceeds from sale of equipment	7,725	1,350
Proceeds from sale of repossessions	51,534	72,695
Net cash used in investing activities	(487,161)	(110,053)
Cash Flows from Financing Activities:		
Net borrowings under revolving credit agreement	---	850,000
Issuance of subordinated notes	757,479	1,024,579
Redemption of subordinated notes	(904,462)	(1,749,779)
Net cash provided by financing activities	(146,983)	124,800
Net Increase (Decrease) in Cash and Cash Equivalents	(60,044)	(223,375)
Cash and Cash Equivalents. Beginning	199,271	339,291
Cash and Cash Equivalents, Ending	$ 139,227	$ 115,916

Ashland Financial Services, Inc.
and Subsidiary Companies
Consolidated Statement of Cash Flows

	Nine Months Ended January 31,	
	1992	1991
Reconciliation of Net Income to Net Cash Provided By Operating Activities:		
Net income (loss)	$ 8,152	$ (29,867)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,059	33,295
Provision for doubtful finance notes receivable	407,687	183,215
Provision for loss on inventory of repossessions	45,742	27,834
(Gain) loss on sale of repossessed collateral	(1,974)	(9,313)
(Gain) loss on sale of property and equipment	365	1,408
(Increase) decrease in:		
Interest Receivable	(8,854)	19,406
Prepaid Expenses	8,175	(3,210)
Miscellaneous receivables	5,985	(4,420)
Increase (decrease) in:		
Interest payable	165,959	(487,364)
Other liabilities	(95,196)	30,894
	$ 574,100	$ (238,122)

PART II -- OTHER INFORMATION

Item 1 - Legal Proceedings

Other than routine proceedings which are a normal part of the Company's operations, ther are no material previously unreported pending legal proceedings either by or against the Company.

Item 6 (a) Exhibits

Ratio of Earnings to Fixed Charges
Ashland Financial Services, Inc. and Subsidiary Companies

	Nine Months Ended January 31,		Three Months Ended January 31,	
	1992	1991	1992	1991
Net Income	$ 8,152	$(29,867)	$ 16,799	$ (3,658)
Add - Income Taxes	3,678	--	1,175	--
TOTAL	11,830	(29,867)	17,974	(3,658)
Add - Fixed Charges:				
Interest expense	643,295	727,387	208,567	235,462
Earnings before fixed charges	$655,125	$697,520	$226,541	$231,804
Ratio of earnings (deficit) to fixed charges	1.02	(.96)	1.09	(.98)

Item 6 (b) Reports on Form 8K

No form 8K was filed by the Company during any month in the nine month period ended January 31, 1992.

NOTE TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

January 31, 1992

Note A --- Basis of Presentation

The accompanying unaudited, consolidated condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in cash flow in conformity with generally accepted accounting principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND THE RESULTS OF OPERATIONS

FINANCIAL CONDITION

Financial condition did not significantly fluctuate from April 30, 1991 to January 31, 1992.

RESULTS OF OPERATIONS

The increase of approximately $38,000 in net income for the nine months ended January 31, 199 as compared to the nine months ended January 31, 1991 resulted primarily from an increase in total revenue of approximately $189,700 which was partially offset by an increase in expenses of approximately $148,000.

The increase in revenue is the result of an increase in interest on loans due to a higher outstanding notes receivable and also a slight increase in other income.

The increase in expenses is due to an increase in the provision for doubtful notes which was only partially offset by a decrease in interest expense. The provision increased due to higher charge offs and the company's decision to increase the reserve. The interest expense decreased due to a reduction in the prime rate.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ashland Financial Services, Inc.

E. E. McGuire, President
and Chief Executive Officer
and Chief Financial Officer

March 6. 1992

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FORM 10-Q

Securities and Exchange Commission
Washington, DC 20549

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

C92-2234

For Quarter Ended: March 31, 1992

Commission File No.: 2-95740

BANCTENN CORP.
(Exact name of registrant as specified in its chapter)

Tennessee
(State or other
jurisdiction
of incorporation)

62-1225291
(IRS Employer I.D.No.)

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301 E. Center Street
Kingsport, Tennessee 37662
(Address of principal executive offices)

(615) 378-9500
(Registrant's telephone number, including a

Not Applicable
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (Yes ✓ No____), and (2) has been the subject of such filing requirements for the past 90 days (Yes ✓ No____).

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of registrant's $8.00 par value common stock outstanding as of March 31, 1992 (and outstanding as of the filing of this report): 361,956 shares. The $8.00 par value common stock is the only class of stock issued by registrant.

Part 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

The information required by Rule 10-01 of Regulation S-X is attached hereto as Exhibit 1 to the Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required under this Item is Attached hereto as Exhibit 2 to this Form 10-Q.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on it's behalf by the undersigned duly authorized.

BANCTENN CORP.

By:____________________________
Colon Terrell
President and CEO
BancTenn Corp.

BANCTENN CORP
CONSOLIDATED BALANCE SHEET
(in thousands)

	03/31/92	12/31/91
ASSETS		
Cash and due from banks	$8,781	$7,007
Interest bearing balances with banks	0	0
Investment Securities:		
U.S. Treasury Securities	5,030	5,036
Federal Agencies	31,305	34,366
State and Political Subdivisions	3,218	3,365
Other Securities	840	2,184
Allowance for Unrealized Loss		(20)
Total Investment Securities	40,394	44,931
Federal funds sold	305	1,290
Loans	77,994	72,397
Less: Unearned Income	(350)	(397)
Reserve for possible loan loss	(1,086)	(1,133)
Net loans	76,557	70,867
Bank premises and equipment	4,453	4,456
Accrued interest receivable	1,185	1,214
Other real estate owned	291	673
Other Assets	513	421
Total Assets	$132,479	$130,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-interest bearing demand deposits	$17,523	$17,125
Interest bearing transacton accounts and savings deposits	44,857	31,176
Certificates of deposit ($100,000 & over)	12,732	11,233
Other certificates of deposit	43,164	58,940
Total interest bearing deposits	100,753	101,349
Total deposits	118,276	118,474
Federal funds purchased and agreements to repurchase	3,334	1,671
Long-term debt	1,200	1,200
Accrued interest payable	363	406
Other liabilities	214	220
	123,388	121,972
STOCKHOLDERS' EQUITY		
Common stock, $8 par value, 1,000,000 shares authorized, 361,956 issued & outstanding	2,896	2,896
Surplus	2,017	2,017
Retained Earnings	4,178	3,994
Net unrealized loss on marketable securities	0	(20)
Total Stockholders' Equity	9,091	8,887
Total Liabilities and Stockholders' Equity	$132,479	$130,859

BANCTENN CORP
CONSOLIDATED STATEMENT OF INCOME
(in thousands)

	Three Months Ended March 30,		Three Months Ended March 30,	
	1992	1991	1992	1991
Interest Income:				
Interest and fees on loans	$1,732	$2,181	$1,732	$2,181
Interest on deposits in banks	0	12	0	12
Interest on federal funds sold	9	7	9	7
Interest on investment securities:				
Taxable	761	667	761	667
Tax-exempt	67	80	67	80
Total interest income	2,569	2,947	2,569	2,947
Interest Expense:				
Interest on deposits	1,198	1,745	1,198	1,745
Interest on fed funds purchased	31	10	31	10
Interest on long-term debt	19	35	19	35
Total interest expense	1,248	1,790	1,248	1,790
Net interest income	1,321	1,157	1,321	1,157
Provision for loan losses	75	150	75	150
	1,246	1,007	1,246	1,007
Non-interst Income:				
Service charges on deposit accounts	173	159	173	159
Other operating income	64	68	64	68
Securities gains (losses)	(11)	0	(11)	0
Total non -interst income	226	227	226	227
	1,472	1,234	1,472	1,234
Non-interest Expense:				
Salaries	386	353	386	353
Employee benefits	91	82	91	82
Net occupancy expense	92	95	92	95
Equipment expense	71	70	71	70
Other expenses	480	398	480	398
Total non-interst expense	1,120	998	1,120	998
Income before Income Tax Expense	351	236	351	236
Income tax expense (benefit)	122	68	122	68
Net Income	229	168	229	168
Net Income per share (361,956 shares issued)	$0.63	$0.46	$0.63	$0.46
Dividends per share	$0.125	$0.125	$0.125	$0.125

BANCTENN CORP
ABBREVIATED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months Ended March 30,	
	1992	1991
OPERATING ACTIVITIES:		
Net Income	$229	$168
Adjustments to reconcile net income to net cash provided by operations	377	(591)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	607	(423)
INVESTING ACTIVITIES:		
Time deposits and investment securities	4,557	221
Federal funds sold	985	(1,890)
Loans	(5,718)	3,318
	(76)	(31)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(252)	1,618
FINANCING ACTIVITIES:		
Net increase in Demand Deposits, Now Accounts and Savings Accounts	14,079	(1,617)
Certificates of Deposits	(14,277)	(780)
Federal Funds Purchased	1,663	(925)
Increase (Decrease) in Long-Term Debt	0	0
Cash dividends paid	(45)	(45)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,420	(3,367)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,775	(2,172)
Cash and Cash Eaquivalents, Beginning	7,007	8,823
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$8,781	$6,651

BANCTENN CORP

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Position - March 31, 1992

BancTenn Corp. is a bank holding company which was organized November 1, 1985, and purchased the shares of Bank of Tennessee. The Company previosly established and owned 100% of the issued and outstanding shares of common stock, $1.00 par value, of BancTenn Mortgage Corporation. The Mortgage Corporation was established to operate as a "pass through" lender in originating and closing residential loans on behalf of the Bank and in selling such loans in the secondary market. The operations of the Mortgage Corporation and the Bank were subsequently consolidated and the Mortgage Corporation dissolved. Since December 31, 1985, total assets of the Corporation have grown from $70.8 million to $132.5 million as of March 31, 1992.

The reserve for loan losses represented 1.40% of loans net of unearned at March 31, 1992, compared to 1.57% on December 31, 1991. Non-performing loans were $2.437 million or 3.14% of loans on March 31, 1992, compared with $2.782 million, or 3.86% on December 31, 1991. As of March 31, 1992, there were no concentrations of credit to any particular industry or economic sector exceeding 5% of total loans with no loans to countries or businesses outside the United States. The Corporation's capital to asset ratio increased from 6.79% on December 31, 1991, to 6.86% as of March 31, 1992. Over the remainder of 1992, Management will continue reviewing deposit and asset growth, and limit the amount of dividend payout, which should aid in further improvement of the capital to asset ratio.

Net income for the three months ending March 31, 1992, was $229 thousand reflecting a .69% return on assets and a 10.08% return on equity. The net interest margin during this period was 4.59% compared with 4.29% YTD during the last quarter, 1991. A factor affectig the net interest margin has been the interest sensitivity gap. The bank's gap position has consistently been positively gaped within the 90-day range with a cumulative RSA-RSL at $6.2 million as of March 31, 1992, due to the high volume of variable rate loans. Within the one year range, the gap position has consistently been negatively gaped with a cumulative RSA-RSL at a negative $3.5 million as of March 31, 1992, due to the longer maturities in the investment portfolio. The Bank's Asset/Liability Committee has been and will continue to work toward repositioning the gap to provide a more stable net interest margin. During the first quarter, the effective tax rate was 34.76%. The tax position of the Bank is reviewed periodically by Management and any necessary changes are made to maximize income.

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FORM 10-Q - QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
(As last amended by Rel No 34-18524, eff 5/24/82.)
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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Quarterly Report under Section 13 o [illegible] ities Exchange Act of 1934.

For Quarter Ended 12/31/91 Commission file .. 13-5516-LA

Beeper Plus, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

88-0219239
(I.R.S. Employer Identification No.)

3900 Paradise Road, Suite 201, Las Vegas, Nevada 89109
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (702) 737-5560

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____ No ✓

Class	Outstanding at December 31, 1991
Common Stock, par value $.001 per share	4,155,000

BEEPER PLUS, INC.

NOTES TO FINANCIAL STATEMENTS

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly Beeper Plus, Inc.'s financial position as of June 30, 1991 and December 31, 1991, the year ended June 30, 1991 the three months ended December 31, 1991 and the six months ended December 31, 1991.

The accounting policies followed by the Company are set for the in Note 1 to the Company's financial statements in the June 30, 1991 Beeper Plus, Inc. Annual Report which is incorporated by reference on Form 10-K.

Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

During the six month period ended December 31, 1991 working capital increased by $41,815. An increase in cash of approximately $31,000 was achieved after deducting cash outlays for debt repayments ($52,000) and capital expenditures ($9,400).

Results of Operations

During the six month period ended December 31, 1991, the Company continued its pursuit of promoting and selling its new product "The Front Page" to paging carriers located throughout the United States and has continued its operation of the "Sports Page" product throughout the country.

To date, the Company has been able to rely solely on the income of these two products to continue its operations and no longer has had to rely on the proceeds from the sale of common stock to finance its accumulated deficit and capital expenditures.

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

There were no legal proceedings against the Company as of December 31, 1991.

Item 2. Changes in Securities

There were no changes in Securities during the three month period ended December 31, 1991.

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended December 31, 1991.

Item 5. Other Information

Beeper Plus, Inc. still serves its Sports Page clients in major metropolitan cities through a network of independent distributors. However, the Company has exercised its right to terminate those distributors in default of their distributorship contracts and has obtained additional territories which has increased revenues directly to the business. To date, Beeper Plus directly serves Sports Page customers in the following territories: Las Vegas, Southern California, Birmingham, Seattle, Portland and Michigan. Independent distributors operate business in the following territories: Baltimore/Washington, Boston, Chicago, Houston, Dallas, Miami/Tampa, New York/New Jersey/Philadelphia and San Francisco.

Beeper Plus has recently introduced another product to the market called "The Front Page". The Front Page works in a similar manner to the Sports Page product; however, the information transmitted to hand-held pagers consist of headline news, Dow Jones Average, Gold and US Dollar prices, weather conditions, final scores and results for all major professional sporting events and general Infotainment which consists of quotes, facts, trivia and humor entertaining information. This information is updated once an hour. Unlike the Sports Page product which is sold to the end user (customer), the Front Page will be sold to individual paging carriers who in turn will sell the service to their paging customers in their local territory. NEC America has included the Front Page product as part of their promotion of their newest pager on the market.

Beeper Plus is currently investigating new pagers on the market and will be switching to a more advanced pager for the Sports Page product and at the same time is looking into its options for further coverage area capabilities through other paging networks (i.e., nationwide and or regional (west coast, midwest, east coast coverage). Between these two new ventures, the Company will upgrade its product and also produce a wider range of coverage for the customer.

Item 6. Exhibits and Reports on Form 8-K

There were no Exhibits and Reports on Form 8-K filed during the three month period ended December 31, 1991.

BEEPER PLUS, INC.

BALANCE SHEETS

ASSETS	December 31, 1991	June 30, 1991
Current assets:		
Cash	$ 42,404	$ 11,705
Accounts receivable	2,025	5,856
Inventories	3,952	3,041
Total current assets	$ 48,381	$ 20,602
Furniture, fixtures and equipment, net	$ 124,688	$ 141,995
Other assets, distributorship, net	$ 264,978	$ 308,914
	$ 438,047	$ 471,511

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	$ 86,496	$ 86,496
Accounts payable, trade	13,630	16,456
Current portion of deferred distributorship revenue	18,334	25,624
Accrued interest	33,850	26,850
Other accrued expenses	4,917	5,837
Loans from related parties	162,000	172,000
Total current liabilities	$ 319,227	$ 333,263
Long-term debt, less current maturities	$ 245,303	$ 287,475
Deferred distributorship revenue, less current portion	$ 11,664	$ 13,542
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock	$ 41,550	$ 41,400
Additional paid-in capital	943,520	943,520
Accumulated deficit	(1,123,217)	(1,147,689)
	$ (138,147)	$ (162,769)
	$ 438,047	$ 471,511

BEEPER PLUS, INC.

STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Six Months Ended December 31,	
	1991	1990	1991	1990
Revenues	$ 292,172	$ 279,728	$ 548,864	$ 533,466
Operating costs and expenses	241,136	250,100	499,564	446,095
Operating income	$ 51,036	$ 29,628	$ 49,300	$ 87,371
Other income (expense):				
Interest	(11,651)	(16,416)	(24,828)	(33,177)
Income before income tax and extraordinary item	$ 39,385	$ 13,212	$ 24,472	$ 54,194
Income tax expense	4,000	2,000	4,000	8,000
Income before extraordinary item	$ 35,385	$ 11,212	$ 20,472	$ 46,194
Extraordinary item - tax benefit from operating loss carryforward	4,000	2,000	4,000	8,000
Net income	$ 39,385	$ 13,212	$ 24,472	$ 54,194
Earnings per share:				
Income before extraordinary item	$ .01	$ -	$ -	$ .01
Extraordinary item	-	-	-	-
Net income	$ .01	$ -	$ -	$ .01
Weighted average number of common shares outstanding	4,155,000	4,140,000	4,147,500	4,140,000

BEEPER PLUS, INC.

STATEMENTS OF CASH FLOWS

	Six Months Ended September 30,	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 24,472	$ 54,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,726	33,249
Amortization	43,936	45,690
Common stock issued as compensation	150	-
(Increase) decrease in:		
Accounts receivable	3,831	14,223
Inventories	(911)	1,221
Increase (decrease) in:		
Accounts payable	(2,826)	(88,170)
Accrued expenses	6,080	6,772
Deferred revenue	(9,168)	15,075
Other	-	(2,223)
Net cash provided by operating activities	$ 92,290	$ 80,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and net cash (used in) operating activities	$ (9,419)	$ (11,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (42,172)	$ (38,175)
Payments to related parties	(10,000)	(14,000)
Net cash (used in) financing activities	$ (52,172)	$ (52,175)
Increase in cash	$ 30,699	$ 16,256
CASH, beginning of period	11,705	1,090
CASH, end of period	$ 42,404	$ 17,346

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

Beeper Plus, Inc.
(Registrant)

By Basil B. Newton
Basil B. Newton
President

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended
March 31, 1992

Commission File
Number 0-9314

CHEMEX PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

83-0221517
(I.R.S. Employer I.D. No.)

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One Executive Drive, Fort Lee, N.J. 07024
(Address of principal executive offices)

Telephone Number (201) 944-1449

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding as of May 6, 1992 — (1) 8,230,360 shares, $0.04 par value

Total No. of Pages 11 Exhibit Index located on page 11

(1) After the effect of a one for four reverse stock split and a 100% stock dividend as of April 15, 1992

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PART I -- FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

The response to this Item is submitted as a separate section of this report.

ITEM 2 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

To date, the Company has not had any products approved for sale and has not had any sales revenue. The Company's primary sources of funds have been the proceeds from sales of its common stock in private placements, the sale of common stock purchase warrants in a rights offering to the Company's stockholders, a units offering to the public, revenue derived from contract research activities, interest income earned on temporary deposits of Company monies, the issuance of notes payable and subsequent conversion of those notes to common stock and funds received from Block Drug Company, Inc. ("Block") for the sale of Actinex and under a separate agreement with Block, funds received for certain proprietary rights for Chemex products that have been subsequently contributed to a joint venture ("Joint Venture") between the parties. These funds have been used to support the Company's research and development activities, patent application costs, human clinical trials costs, FDA regulatory filing expenses, commercialization efforts and administrative overhead.

On May 19, 1992, the Company was informed by the Food and Drug Administration ("FDA") of an approvable letter for Actinex™, a drug originally developed by Chemex. Actinex™ was acquired by Block from Chemex in June, 1990 for the treatment of actinic keratoses. The approvable letter triggers an additional milestone payment due from Block pursuant to the Actinex™ Agreement of $1,000,000. As a result of the approvable letter, the Company expects further milestone payments in 1992 from Block for Actinex™ as follows: $3 million upon final FDA approval and $2 million upon first commercial sale by Block. Final FDA approval is principally contingent upon the satisfactory inspection of two manufacturing facilities by the FDA.

During the first quarter of 1992, the Company's working capital decrease by approximately $290,000, representing the net amount of cash outlay after recording appropriate receivables from Block for revenues related to Joint Venture research and development expenses. Under the Joint Venture agreement, both parties are obligated to fund research and development equally, after the first $3 million is contributed by Block. As of March 31, 1992, the Joint Venture has not reached this spending threshold and based on the current rate of spending, will not do so until some time in the fourth quarter of 1992. Based on the FDA approvable letter for Actinex™, the Company believes it will receive a total of $6 million of milestone payments during 1992. Such payments will enable the Company to meet all currently anticipated funding requirements for the foreseeable future.

First Quarter 1992
Compared to
First Quarter 1991

Revenues for the first quarter of 1992 were $466,917, an increase over the same period in 1991 of approximately $400,000. The increase in revenue was entirely due to billings of Joint Venture research and development expenses to Block. Interest income was lower in 1992 principally due to lower interest rates in 1992.

Total research and development expenses for the first quarter of 1992 were approximately $411,000, or $87,000 higher than the comparable 1991 period. The increase in 1992 was due to higher Joint Venture spending during the period principally for Amlexanox, a drug that was in Phase II development during the first quarter 1992. Total general and administrative expenses for the quarter were $374,000 as compared to $274,000 in 1991. The increase in expenses was due to the following: payment to James Capel Incorporated of $50,000 to retain them as financial advisors to the Company; increased rent expense of $20,000 resulting from the relocation of the Company from Denver, Colorado to Fort Lee, New Jersey (accomplished during September 1991); higher legal fees of $20,000 in 1992; and higher salaries of approximately $10,000.

Consequently, total operating expenses were $733,898 in the first quarter of 1992, an increase of $186,000 over the comparable prior period. As a result, the net loss was approximately $317,000 for the first quarter, or a $.04 loss per share.

PART II -- OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None.

ITEM 2 CHANGES IN SECURITIES

On August 27, 1991 the Company's stockholders approved a one for four reverse stock split of all authorized shares of Chemex' common stock ("Reverse Split"). The Board of Directors was authorized to implement the Reverse Split when it deemed it to be in the best interest of the Company to do so. On March 18, 1992, the Board of Directors authorized the implementation of the Reverse Split for the stockholders of record of as of April 15, 1992 as well as an increase in the common stock par value from $.01 to $.04. Simultaneously, the Board authorized a 100% stock dividend ("Stock Dividend"), which effectively created a reverse split of the stock on a one for two basis. These transactions also affect the warrant and option holders of record as of April 15, 1992 for each warrant and option security outstanding.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 OTHER INFORMATION

The following information was contained in press announcements released by the Company on March 25, 1992 and March 31, 1992, respectively.

March 25, 1992: The Company announced today that the Board of Directors has decided to implement a one for four reverse stock split previously approved by its stockholders. The Board of Directors has also approved a simultaneous 100% common stock dividend. Both will apply to all stockholders of record on April 15, 1992. Effectively, the Company's common stock will be reverse split on a one for two basis for all stockholders of record on April 15, 1992. Chemex also announced the recent appointment of James Capel Incorporated as financial advisors to the Company. James Capel is a prestigious banking company based in London, Paris, New York and Hong Kong.

March 31, 1992: Chemex announced today that its has filed an IND on its third drug compound. The drug compound is a non-steroidal anti-inflammatory agent. Chemex also announced that the multi-centered Phase I double blind clinical study on Amlexanox for the treatment of aphthous ulcers (canker sores) has been completed on schedule, and data is being analyzed. The preliminary analyses show that Amlexanox was safe, as it was in the Phase I study. However, treatment with the modified placebo (vehicle) alone in Phase II showed greater efficacy than the placebo (vehicle) alone in the Phase II study. Consequently, Chemex will perform a series of additional Phase II studies to determine optimum concentration and the treatment regimen to establish efficacy of Amlexanox and/or the vehicle. It is possible that Chemex may have two products where it was thought to have one; the additional product could be an over-the-counter product. The necessity of conducting additional Phase II studies will delay the fling of an NDA for Amlexanox, originally scheduled for the second quarter of 1993, by a year or more.

May 19, 1992: Chemex announced the receipt of an approvable letter from the FDA for its originally developed drug, Actinex™ is contingent upon the completion of inspection of two manufacturing sites and their acceptance and their acceptance by the FDA. Actinic keratoses is a disease state characterized by small lesions on the skin, induced by excessive exposure to the sun's rays. Current treatment of actinic keratoses is limited to one currently approved topical drug and in-office surgery.

As previously announced, Block Drug Company, Inc. ("Block") acquired Actinex™ from Chemex in June 1990. Block will market Actinex™ through Reed & Carnrick, its ethical pharmaceutical division. Under the Actinex™ agreement, Chemex received $2 million in advance royalties in 1990 and will receive $1 million as a milestone payment for receipt of the approvable letter. In addition, Chemex anticipates further milestone payments in 1992 upon final FDA approval and first commercial sale by Block. Chemex will also receive future royalties of Actinex™ product sales.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:	None.
Reports on Form 8-K:	None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHEMEX PHARMACEUTICALS, INC.

Date: 5/19/92 By:

Herbert H. McDade, Jr.
Chairman and Chief
Executive Officer

CHEMEX PHARMACEUTICALS, INC.

Balance Sheets

Assets	March 31, 1992 (Unaudited)	December 31, 1991
Current Assets:		
Cash and cash equivalents	$950,338	$1,037,524
Accounts Receivable	292,359	444,375
Prepaid expenses and other assets	51,357	122,191
Total current assets	1,294,054	1,604,090
Furniture, Equipment and Leasehold Improvements, at cost	370,247	323,376
Less accumulated depreciation and amortization	(281,836)	(276,871)
	88,411	46,505
Other Assets	24,383	25,371
Total Assets	$1,406,848	$1,675,966
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$280,824	$264,102
Accrued severance cost	250,000	250,000
Accrued taxes payable	0	25,857
Accrued liabilities	343,156	345,407
Total current liabilities	873,980	885,366
Other long-term liabilities	4,575	4,575
Total liabilities	878,555	889,941
Stockholders' Equity		
Preferred stock, $.01 par value. Authorized 5,000,000 shares; none outstanding	--	--
Common stock, $.04 par value. Authorized 15,000,000 shares; outstanding 8,227,748 and 8,050,831 shares	329,110	327,472
Additional paid-in capital	39,615,243	39,557,632
Treasury stock, 1,677 and 6,225 shares	(4,610)	(4,610)
Deficit	(39,411,450)	(39,094,469)
Total Stockholders' Equity	528,293	786,025
Total Liabilities and Stockholders' Equity	$1,406,848	$1,675,966

See accompanying notes to financial statements.

CHEMEX PHARMACEUTICALS, INC.

Statements of Operations

	Quarter Ended March 31,	
	1992	1991
Revenues:		
Actinex Project revenue	$27,332	$46,000
Joint Venture Project revenue	422,947	--
Interest and dividend income	11,185	19,000
Other income	5,453	2,000
	466,917	67,000
Expenses:		
Research and Development		
Chemex proprietary	46,834	278,000
Actinex	27,332	46,000
Joint Venture	336,719	--
General and Administrative and Other:		
Operating expenses	305,497	186,000
Professional fees–Related Parties	66,895	46,000
Severance expense	--	11,000
Stock compensation expense	--	30,000
Interest and other	621	1,000
	783,898	598,000
Net loss	($316,981)	($531,000)
Net loss per common share	$(.04)	$ (.06)
Average number of common and equivalent common shares outstanding	8,206,394	8,037,500

See accompanying notes to financial statements

CHEMEX PHARMACEUTICALS, INC.

Statement of Cash Flows

	Three months ended March 31,	
	1992	1991
Cash Flows from Operating Activities:		
Net loss	($316,980)	($531,000)
Adjustments to reconcile net income/(loss) to cash used by operating activities:		
Depreciation and amortization	4,963	5,000
Common stock and options granted as compensation and severance	--	30,000
Common stock contributed to Employee Stock Ownership Plan	12,540	4,000
Common stock issued for payment of patent and other costs	--	--
Change in assets and liabilities:		
Decrease (increase) in receivables	152,016	42,000
Decrease (increase) in prepaid expenses and other current assets	70,834	21,000
Decrease (increase) in other assets	988	--
Increase (decrease) in accounts payable	16,722	(13,000)
Increase (decrease) in accrued severance	--	11,000
Increase (decrease) in other liabilities	(28,108)	--
Net cash used by operating activities	(87,025)	(431,000)
Cash Flows from Investing Activities:		
Capital expenditures	(46,871)	--
Net cash provided (used) by investing activities	(46,871)	--
Cash Flows from Financing Activities:		
Proceeds from exercising of stock options and common stock purchase warrants, net	46,710	5,000
Principal payments under capital lease obligation	--	--
Net cash provided by financing activities	46,710	5,000
Net increase (decrease) in cash and cash equivalents	(87,186)	(426,000)
Cash and cash equivalents at beginning of period	1,037,524	1,365,000
Cash and cash equivalents at end of period	$950,338	$939,000
Cash paid for interest	$621	$621

See accompanying notes to financial statements.

CHEMEX PHARMACEUTICALS, INC.
Notes to Financial Statements

Three Months Ended March 31, 1992 and 1991

(1) Interim Financial Statements

The balance sheet as of March 31, 1992 and the statements of operations and cash flows for the three month periods ended March 31, 1992 and 1991 were prepared by Chemex Pharmaceuticals, Inc. (the Company) without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1991. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results which may be expected for a full year. The balance sheet as of December 31, 1992 contains financial information taken from the audited financial statements as of that date.

(2) Actinex™ Approvable Letter

On May 19, 1992, the Company received an approvable letter from the FDA for Actinex™ triggering the next milestone payment from Block pursuant to the Actinex™ agreement of $1 million due within 15 days of such letter. Based on receipt of the approvable letter, the Company anticipates further milestone payments in 1992 as follows: $3 million upon final FDA approval and $2 million upon first commercial sale of Actinex™ by Block. Final FDA approval is contingent upon the completion of the inspection of two manufacturing sites and their acceptance by the FDA.

EXHIBIT INDEX

ITEM	DESCRIPTION	PAGE
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession	N/A
(4)	Instruments defining the rights of security holders, including indentures	N/A
(11)	Statement re computation of per share earnings	N/A
(15)	Letter re unaudited interim financial information	N/A
(18)	Letter re change in accounting principles	N/A
(19)	Previously documents not filed	N/A
(20)	Report furnished to security holders	N/A
(23)	Published report regarding matters submitted to vote of security holders	N/A
(24)	Consents of experts and counsel	N/A
(25)	Power of attorney	N/A
(28)	Additional Exhibits	N/A

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FORM 10-Q - QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

(As last amended by Rel No 34-18524, eff 5/24/82.)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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WASH SECTION

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For Quarter Ended 09/30/91 Commission file number 33-5516-LA

Beeper Plus, Inc.
(Exact name of registrant as specified in its charter)

Nevada	88-0219239
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3900 Paradise Road, Suite 201, Las Vegas, Nevada	89109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (702) 737-5560

Former name, former address and former fiscal year, if changed since last report.

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was re[illegible] file such reports), and (2) has been subject to such filing r[illegible] past 90 days.

Yes ______ No ✓

Class	Outstanding at September 30, 1991
Common Stock, par value $.001 per share	4,155,000

BEEPER PLUS, INC.
NOTES TO FINANCIAL STATEMENTS

In the opinion of Management, the accompanying Unaudited Financial Statements contain all adjustments necessary to present fairly Beeper Plus, Inc.'s Financial Position as of June 30, 1991 and September 30, 1991, the Year Ended June 30, 1991 and the three months ended September 30, 1991.

The accounting policies followed by the Company are set forth in Note 1 to the Company's Financial Statements in the June 30, 1991 Beeper Plus, Inc. Annual Report which is incorporated by reference on Form 10-K.

Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

During the three month period ended September 30, 1991 working capital remained virtually consistent (an increase of $652). Cash increased approximately $9,000 primarily through operating activities, with $21,000 in principal payments on long-term debt.

Results of Operations

During the three month period ended September 30, 1991, the Company continued its pursuit of promoting and selling its new product "The Front Page" to paging carriers located throughout the United States and has continued its operation of the "Sports Page" product throughout the country.

To date, the Company has been able to rely solely on the income of these two products to continue its operations and no longer has had to rely on the proceeds from the sale of common stock to finance its accumulated deficit and capital expenditures.

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

There were no legal proceedings against the Company as of September 30, 1991.

Item 2. Changes in Securities

On August 27, 1991, the Company issued 10,000 shares of Beeper Plus stock to Jeff Eddins, Vice President, and 5,000 shares of Beeper Plus stock to Nancy Troy, Secretary/Treasurer.

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended September 30, 1991.

Item 5. Other Information

Beeper Plus, Inc. still serves its Sports Page clients in major metropolitan cities through a network of independent distributors. However, the Company has exercised its right to terminate those distributors in default of their distributorship contracts and has obtained additional territories which has increased revenues directly to the business. To date, Beeper Plus directly serves Sports Page customers in the following territories: Las Vegas, Southern California, Birmingham, Seattle, Portland and Michigan. Independent distributors operate business in the following territories: Baltimore/Washington, Boston, Chicago, Houston, Dallas, Miami/Tampa, New York/New Jersey/Philadelphia and San Francisco.

Beeper Plus has recently introduced another product to the market called "The Front Page". The Front Page works in a similar manner to the Sports Page product; however, the information transmitted to hand-held pagers consist of headline news, Dow Jones Average, Gold and US Dollar prices, weather conditions, final scores and results for all major professional sporting events and general Infotainment which consists of quotes, facts, trivia and humor entertaining information. This information is updated once an hour. Unlike the Sports Page product which is sold to the end user (customer), the Front Page will be sold to individual paging carriers who in turn will sell the service to their paging customers in their local territory. NEC America has included the Front Page product as part of their promotion of their newest pager on the market.

Beeper Plus is currently investigating new pagers on the market and will be switching to a more advanced pager for the Sports Page product and at the same time is looking into its options for further coverage area capabilities through other paging networks (i.e., nationwide and or regional (west coast, midwest, east coast coverage). Between these two new ventures, the Company will upgrade its product and also produce a wider range of coverage for the customer.

Item 6. Exhibits and Reports on Form 8-K

Form 8-K was filed July 16, 1991 with the Securities and Exchange Commission in accordance with Item 4, Changes in Registrant's Certifying Accountant. Am Amendment to Form 8-K was filed October 29, 1991 pertaining to Item 4, Changes in Registrant's Certifying Accountant.

BEEPER PLUS, INC.

BALANCE SHEETS

ASSETS	September 30, 1991	June 30, 1991
Current assets:		
Cash	$ 20,678	$ 11,705
Accounts receivable	2,025	5,856
Inventories	608	3,041
Total current assets	$ 23,311	$ 20,602
Furniture, fixtures and equipment, net	$ 131,734	$ 141,995
Other assets, distributorship, net	$ 286,946	$ 308,914
	$ 441,991	$ 471,511
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	$ 86,496	$ 86,496
Accounts payable, trade	24,953	16,456
Current portion of deferred distributorship revenue	18,334	25,624
Accrued interest	30,850	26,850
Other accrued expenses	3,991	5,837
Loans from related parties	172,000	172,000
Total current liabilities	$ 336,624	$ 333,263
Long-term debt, less current maturities	$ 266,651	$ 287,475
Deferred distributorship revenue, less current portion	$ 16,248	$ 13,542
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock	$ 41,550	$ 41,400
Additional paid-in capital	943,520	943,520
Accumulated deficit	(1,162,602)	(1,147,689)
	$ (177,532)	$ (162,769)
	$ 441,991	$ 471,511

BEEPER PLUS, INC.

STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 1991	Three Months Ended September 30, 1990
Revenues	$ 256,692	$ 253,738
Operating costs and expenses	258,428	195,995
Operating income (loss)	$ (1,736)	$ 57,743
Other income (expense):		
Interest	(13,177)	(16,761)
Income (loss) before income tax and extraordinary item	$ (14,913)	$ 40,982
Income tax expense	-	(6,000)
Income (loss) before extraordinary item	$ (14,913)	$ 34,982
Extraordinary item - tax benefit from operating loss carryforward	-	6,000
Net income (loss)	$ (14,913)	$ 40,982
Earnings (loss) per share:		
Income (loss) before extraordinary item	$ -	$ .01
Extraordinary item	-	-
Net income (loss)	$ -	$ .01
Weighted average number of common shares outstanding	4,140,000	4,140,000

BEEPER PLUS, INC.

STATEMENTS OF CASH FLOWS

	Three Months Ended September 30,	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (14,913)	$ 40,982
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	13,363	20,061
Amortization	21,968	23,723
Common stock issued as compensation	150	-
(Increase) decrease in:		
Accounts receivable	3,831	6,653
Inventories	2,433	(5,239)
Increase (decrease) in:		
Accounts payable	8,497	(68,784)
Accrued expenses	2,154	7,497
Deferred revenue	(4,584)	7,538
Other	-	(2,223)
Net cash provided by operating activities	$ 32,899	$ 30,208
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and net cash (used in) operating activities	$ (3,102)	$ (11,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (20,824)	$ (18,850)
Payments to related parties	-	(1,000)
Net cash (used in) financing activities	$ (20,824)	$ (19,850)
Increase (decrease) in cash	$ 8,973	$ (1,242)
CASH, beginning of period	11,705	1,090
CASH, end of period	$ 20,678	$ (152)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

Beeper Plus, Inc.
(Registrant)

By Basil B. Newton
Basil B. Newton
President

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

MAR 16 1992

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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-18198

DeVlieg-Bullard, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

62-1270573
(I.R.S. Employer Identification No.)

3100 West End Avenue, Ste 880, Nashville, TN
(Address of principal executive offices)

37203
(Zip Code)

615-383-7892
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No____.

The number of shares of common stock outstanding as of January 31, 1992 was 12,250,000.

Page 1 of 45 Sequentially Numbered Pages
Exhibit Index at Sequentially Numbered Page 20

DeVlieg-Bullard, Inc.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

DeVlieg-Bullard, Inc.
Consolidated Balance Sheet
(in thousands)

	January 31, 1992 (unaudited)	July 31, 1991
ASSETS		
Current assets:		
Cash	$0	$0
Accounts receivable	13,355	16,114
Inventories	24,107	25,970
Other current assets	2,404	2,097
Total current assets	39,866	44,181
Property, plant and equipment	8,028	8,200
Other assets	9,692	10,275
Total assets	$57,586	$62,656
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit agreement	$14,736	$16,204
Accounts payable	8,240	8,919
Accrued expenses and other current liabilities	7,505	5,714
Current portion of long-term debt	3,543	3,754
Total current liabilities	34,024	34,591
Long-term debt	6,258	7,978
Other noncurrent liabilities	522	525
Total liabilities	40,804	43,094
Stockholders' equity:		
Preferred stock	5,826	5,699
Common stock	123	123
Additional paid-in capital	30,549	30,549
Excess purchase price over net assets acquired of the Services Group	(22,495)	(22,632)
Retained earnings	2,957	5,840
Cumulative translation adjustment	(178)	(17)
Total stockholders' equity	16,782	19,562
Total liabilities and stockholders' equity	$57,586	$62,656

See accompanying notes.

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DeVlieg-Bullard, Inc.
Consolidated Statement of Operations
(unaudited - in thousands, except per share data)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991	Six Months Ended January 31, 1992	Six Months Ended January 31, 1991
Net sales	$19,093	$22,291	$39,438	$45,053
Cost of sales	12,894	15,209	26,910	30,504
Gross profit	6,199	7,082	12,528	14,549
Operating expenses:				
Engineering	600	584	1,322	1,124
Selling	2,346	2,717	4,612	5,132
General and administrative	2,531	2,447	5,126	4,886
Other non-recurring charges	3,702	0	3,702	0
Total operating expenses	9,179	5,748	14,762	11,142
Income (loss) from operations	(2,980)	1,334	(2,234)	3,397
Other (income) expense, net	(114)	(259)	(305)	(386)
Income (loss) before interest and income taxes	(2,866)	1,593	(1,929)	3,783
Interest expense	581	861	1,273	1,739
Income (loss) before income taxes	(3,447)	732	(3,202)	2,044
Provision for income taxes	(549)	200	(446)	628
Net income (loss)	($2,898)	$532	($2,756)	$1,416
Net income (loss) per common share	($0.25)	$0.04	($0.24)	$0.11

See accompanying notes.

DeVlieg-Bullard, Inc.
Consolidated Statement of Cash Flows
Six Months Ended January 31,
(unaudited - in thousands)

	1992	1991
Cash flows from operating activities:		
Net income (loss)	($2,756)	$1,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,251	1,172
Provision for losses on accounts receivable	42	130
Undistributed earnings of foreign joint ventures	(156)	(234)
Net change in assets and liabilities, without giving effect to acquisitions:		
Decrease in accounts receivable	2,717	5,101
(Increase) decrease in inventories	1,863	(1,764)
(Increase) decrease in other current assets	(307)	684
(Increase) decrease in other assets	89	(454)
Increase (decrease) in accounts payable	(679)	1,691
Increase (decrease) in accrued expenses and other current liabilities	1,928	(972)
Decrease in other noncurrent liabilities	(3)	(62)
Net cash provided by operating activities	3,989	6,708
Cash flows from investing activities:		
Capital expenditures	(590)	(352)
Proceeds from sale of machinery and equipment	0	1,301
Net cash provided by (used for) investing activities	(590)	949
Cash flows from financing activities:		
Net change in revolving credit agreement	(1,468)	(2,519)
Proceeds from indebtedness	0	253
Payments on long-term debt	(1,931)	(5,391)
Net cash used for financing activities	(3,399)	(7,657)
Net decrease in cash and cash equivalents	0	0
Cash and cash equivalents at beginning of period	0	0
Cash and cash equivalents at end of period	$0	$0
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$1,335	$1,744
Taxes (net of refunds)	(15)	726

Supplemental schedule of other noncash information:
The Company's tax benefit realized related to excess purchase price of the Services Group reduces the income tax liability. Such amount included in the six months ended January 31, 1992 was $137,000

See accompanying notes.

DeVlieg-Bullard, Inc.
Consolidated Statement of Stockholders'
Six Months Ended January 31, 1992
(unaudited - in thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Excess Purchase Price
Balance, July 31, 1991	$5,699	$123	$30,549	($22,632)
Net income				
Accretion of excess redemption value on preferred stock	127			
Tax benefit realized related to excess purchase price of the Services Group				137
Foreign currency translation adjustment				
Balance, January 31, 1992	$5,826	$123	$30,549	($22,495)

See accompanying notes.

Equity

Retained Earnings	Cumulative Translation Adjustment
$5,840	($17)
(2,756)	
(127)	
	(161)
$2,957	($178)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of Presentation

Pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q, the financial statements, footnote disclosures and other information normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed. The consolidated financial statements contained in this report are unaudited but in the opinion of the Company, reflect all adjustments, consisting of only normal, recurring adjustments, necessary to fairly present the financial position as of January 31, 1992 and the results of operations and cash flows for the interim periods of the fiscal year ending July 31, 1992 ("fiscal 1992") and the fiscal year ended July 31, 1991 ("fiscal 1991") presented herein. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended July 31, 1991 (File No. 0-18198).

NOTE 2: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Penberthy, Inc. The Company's wholly-owned subsidiary, Lyons Holdings, Inc. ("LHI") and the wholly-owned subsidiary of LHI, DeVlieg-Lyons Integrated Systems, Inc. were merged into the Company effective December 13, 1991. All significant intercompany transactions and balances have been eliminated.

NOTE 3: Income per Common Share

Income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares and equivalents outstanding during the period. Accretion of preferred stock and preferred stock dividends earned reduce income available to common stockholders. As the right to receive Class F preferred stock cumulative dividends commenced January 1, 1992, approximately $58,000, representing one-third of the quarterly dividend payable March 31, 1992, has been earned as of January 31, 1992.

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NOTE 4: Accounts Receivable

Accounts receivable consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Trade receivables	$13,361	$16,079
Other	803	996
	14,164	17,075
Less: allowance for doubtful accounts	(809)	(961)
	$13,355	$16,114

NOTE 5: Inventories

Inventories consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Raw materials	$ 1,695	$ 3,359
Work-in-process	6,473	6,273
Finished goods	15,939	16,338
	$24,107	$25,970

NOTE 6: Property, Plant and Equipment

Property, plant and equipment consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Real property	$ 1,655	$ 1,572
Machinery and equipment	10,162	9,749
Capitalized leased assets	1,130	1,130
Furniture and fixtures	793	699
Mobile equipment and vehicles	118	118
	13,858	13,268
Less: accumulated depreciation	(5,830)	(5,068)
	$ 8,028	$ 8,200

NOTE 7: Other Assets

Other assets consisted of:

	January 31, 1992 (unaudited)	July 31, 1991
	(in thousands)	
Intangible assets	$ 5,380	$ 5,380
Software development costs	3,581	3,581
Deferred financing costs	1,982	1,956
Other	2,527	2,647
	13,470	13,564
Less: accumulated amortization	(3,778)	(3,289)
	$ 9,692	$10,275

NOTE 8: Revolving Credit Agreement

Effective December 20, 1991, the revolving credit agreement was amended providing for a decrease in the limit of the maximum borrowings available thereunder from $27,000,000 to $20,000,000.

At January 31, 1992, the Company was not in compliance with the following financial covenants related to borrowings from its senior lender: minimum interest coverage, minimum fixed charge coverage, liquidity and minimum net worth. The Company has obtained a waiver from its senior lender of its failure to comply with each of the foregoing covenants as of January 31, 1992. In addition, the financial covenants pertaining to liquidity and net worth have been amended to provide that for and during the fiscal quarter ending April 30, 1992, these financial covenants will be calculated only as at the end of such quarter.

The Company's senior lender has granted an extension from March 22, 1992 to June 22, 1992 of the revolving credit agreement. Such extension is substantially on the same terms and conditions as the existing revolving credit agreement except that the interest rate on borrowings under the agreement has been increased by .5% to an annual rate of 1.5% above the senior lender's base rate.

NOTE 9: Capital Stock

Preferred stock at January 31, 1992 consisted of 70,000 shares of authorized, issued and outstanding Class F, Series A preferred stock. Commencing January 1, 1992, the holder of this stock is entitled to receive cumulative dividends at an annual rate of $10.00 per share, payable quarterly on the last day of each calendar quarter, commencing March 31, 1992, when and if declared commencing January 1, 1994, to a maximum annual dividend rate of $20.00 per share; provided, however, that the scheduled dividend increases do not begin until the year following the date on which the Company's total stockholders' equity exceeds $28,950,000. The Class F preferred stock has a par value and a liquidation preference of $100 per share and may be redeemed at any time by the Company for $100 per share plus accrued dividends.

Common stock consists of 30,000,000 shares authorized, $.01 par value, with 12,250,000 shares issued and outstanding at January 31, 1992 and 1991. The weighted average common shares outstanding were 12,250,000 during fiscal 1992 and 1991.

NOTE 10: Stock Options

On December 15, 1989, the Company adopted the 1989 Employee Stock Plan, an incentive stock compensation plan, which permits the issuance of up to 575,000 shares of common stock. Options have been granted to certain employees to purchase shares of the Company's common stock at a price not less than the fair market value at the date of grant. The options are exercisable in annual installments of up to 20% of the total shares represented by the options commencing one year from the date of grant and terminating ten years thereafter.

Transactions in stock options under this plan are summarized as follows:

	Shares Under Option	Price Range
Granted, April 24, 1990	101,000	$ 6.50
Granted, October 15, 1990	75,000	3.50
Granted, June 20, 1991	75,000	3.625
Forfeited	(14,000)	6.50
Outstanding at January 31, 1992	237,000	$3.50-6.50

On January 10, 1991, the Company adopted a stock option plan for its outside directors, and granted each outside director an option to purchase 5,000 shares of common stock (an aggregate of 25,000 shares) at $2.50 per share, the then fair market value of the shares. The Company has reserved a total of 50,000 shares for issuance under this stock option plan.

NOTE 11: Other Non-recurring Charges

Other non-recurring charges for the three and six months ended January 31, 1992 are comprised of the following (in thousands):

Corporate office closing and relocation	$ 1,315
Plant closings and facility consolidations	1,197
Product line abandonment	465
Guarantee of certain indebtedness of DeVlieg, Inc., a related party, to the Kathryn S. DeVlieg Revocable Living Trust	405
Other severance costs	320
	$ 3,702

NOTE 12: Income Taxes

The provision for income taxes is based upon pretax financial accounting income in accordance with Accounting Principles Board Opinion No. 11. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("FAS 109"). FAS 109 requires the liability method for computing deferred income taxes and is effective for fiscal years beginning after December 15, 1992. The effect of the adoption of FAS 109 on the Company's financial statements has not been determined.

The assets and liabilities acquired by the Company from a related party were recorded at the predecessor entities' net book value for financial reporting purposes. The tax benefit of the amortization of this difference is recorded upon realization as an increase to stockholders' equity by reducing the account "excess purchase price over net assets from the Services Group acquisition". Such benefit recognized in the six months ended January 31, 1992 was $137,000.

The income tax provision is comprised of the following:

	Six Months Ended January 31,	
	1992	1991
	(unaudited) (in thousands)	
Federal income tax expense (benefit)	$(470)	$514
State income tax expense	24	114
	$(446)	$628

The federal benefit is limited to the amount that can be carried back to prior years as future benefits are not assured.

NOTE 13: Commitments and Contingencies

Potential Repurchase of Common shares

As of September 27, 1990, DeVlieg, Inc., a related party, sold substantially all of its machinery and equipment to a subsidiary of Stanwich Oil & Gas, Inc. ("SOG Sub") and entered into an agreement whereby SOG Sub would lease the machinery and equipment to DeVlieg, Inc. (the "sale and leaseback"). The Company *subleased certain of the* machinery and equipment transferred by DeVlieg, Inc. to SOG Sub. In connection with the sale and leaseback refinancing transaction, Stanwich Oil & Gas Inc. ("SOG"), a related party, guaranteed certain payments by SOG Sub to its lender and pledged 635,000 shares of the Company's common stock owned by SOG to the lender to secure the guaranty. As a condition prerequisite to entering into the financing, SOG Sub's lender required the Company to enter into an agreement (the "Put Agreement"), as amended, in which the Company agreed at its option to repurchase up to $1,500,000 of its common stock pledged by SOG at 71% of its then fair market value or to pay up to $1,500,000 without repurchasing the shares, in each case if there remained a deficiency after the lender had completed liquidation of the machinery and equipment which secured the obligations of SOG Sub to the lender or in the event the lender were unable to obtain title sufficient to liquidate such collateral.

On August 5, 1991, DeVlieg, Inc. filed a petition under Chapter 11 of the U.S. Bankruptcy Code. In December 1991, the lender commenced the liquidation of the machinery and equipment which secured the obligations of SOG Sub to the lender. On February 4, 1992, the lender acknowledged payment in full of all obligations of SOG Sub to the lender and, accordingly, the Company has no further obligations under the Put Agreement.

NOTE 14: Postretirement Benefits

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employers Accounting For Postretirement Benefits Other Than Pensions ("FAS 106"), which will require accrual of such benefit costs during the period of employment. FAS 106 is not required to be implemented by the Company until the fiscal year ending July 31, 1994. The Company presently provides certain retiree medical benefits. The Company is in the process of determining the impact of this accounting standard and cannot currently estimate the impact on future results of operations or financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations. Summarized below is a discussion of the results of operations of the Company, including its Services Group, Tooling Systems Group and Industrial Group. The following table sets forth for the periods indicated selected items from the Consolidated Statement of Operations as a percentage of the Company's consolidated net sales.

	Three Months Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	67.5%	68.2%	68.2%	67.7%
Gross profit	32.5%	31.8%	31.8%	32.3%
Operating expenses *	48.1%	25.8%	37.4%	24.7%
Income (loss) from operations	(15.6%)	6.0%	(5.6%)	7.6%
Income (loss) before interest and income taxes	(15.0%)	7.1%	(4.9%)	8.4%
Net income (loss)	(15.2%)	2.4%	(7.0%)	3.1%

* Fiscal 1992 includes non-recurring charges aggregating $3.7 million, representing 19.4% and 9.4% of net sales for the three months and six months ended January 31, 1992, respectively.

Three and six months ended January 31, 1992 compared to three and six months ended January 31, 1991. Net sales for the second quarter of fiscal 1992 were $19,093,000 compared to $22,291,000 for the second quarter of fiscal 1991, a $3,198,000 decrease, or 14.3%. Net sales for the first half of fiscal 1992 of $39,438,000 were $5,605,000, or 12.4%, lower than the comparable period of the prior year, reflecting declines in all of the Company's operating groups. The decline in net sales by operating group for the second quarter and first half periods of fiscal 1992, respectively, consists of $686,000, or 12.7% and $1,640,000, or 14.4% in the Tooling Systems Group; $425,000, or 5.0% and $855,000, or 5.0% in the Industrial Group; and $2,087,000, or 24.8% and $3,110,000, or 18.8% in the Services Group. Management believes the decrease in net sales in each of its operating groups is attributable primarily to the persistent recessionary conditions which have had an adverse impact on the primary industrial segments served.

The decrease in the Services Group net sales reflects a decline in its Rebuild Operation of approximately $1,400,000 and $2,048,000 in the second quarter and first six months of fiscal 1992, respectively. The Rebuild Operation has been adversely impacted by its customers ability to utilize previously idle machinery in lieu of rebuilding due to excess capacity caused by the continued weak economic conditions.

Gross profit for the second quarter of fiscal 1992 was $6,199,000 compared to $7,082,000 for the second quarter of fiscal 1991, a decrease of $883,000, or 12.5%, reflecting declines in each of the Company's operating groups, as follows: $240,000, or 14.7% in the Tooling Systems Group; $329,000, or 12.6% in the Industrial Group; and $314,000, or 11.1% in the Services Group. Gross profit for the first half of fiscal 1992 was $12,528,000 compared to $14,539,000 for the same prior year period, a decrease of $2,011,000, or 13.8%, comprised of a decrease of $1,082,000, or 28.6% in the Tooling Systems Group; a decrease of $576,000, or 11.1% in the Industrial Group; and $353,000, or 6.3% in the Services Group. The decline in gross profit is attributable to lower volume and weakness in pricing. Gross profit as a percentage of net sales was 32.5% in the second quarter of fiscal 1992 compared to 31.8% in the second quarter of fiscal 1991 reflecting an improvement in the Services Group due to lower cost to complete contracts of its Rebuild Operation.

Other non-recurring charges of $3,702,000 were incurred in the second quarter of fiscal 1992. These charges were incurred primarily as a result of operating changes instituted in the second quarter in response to continued weak net sales and included: (i) a provision of $1,197,000 for the closing of two facilities utilized by the Services Group in an effort to foster more efficient utilization of facilities and workforce, severance costs in connection therewith and the consolidation of the Services Group's operations primarily to its facility in Rockford, Illinois; (ii) a provision of $1,315,000 for the closing of the Company's corporate office in Nashville, Tennessee, severance for corporate office personnel and relocation of the Company's headquarters to Stamford, Connecticut; (iii) a provision of $320,000 relating to severance costs for personnel reductions at the Tooling Systems and Industrial Groups; and (iv) a provision of $465,000 for expenses associated with exiting an Industrial Group product line. Non-recurring charges also included a provision of $405,000 for fees the Company believes may be required to fund the guarantees of certain DeVlieg, Inc. ("DeVlieg") indebtedness to the Kathryn S. DeVlieg Revocable Living Trust. The guarantees are comprised of a guaranty of $300,000 entered into at the time of the acquisition from DeVlieg of the Microbore product line in September 1988 and a guaranty of $105,000 entered into at the time of the acquisition from DeVlieg of the Services Group in March 1990. See Note 11 of Notes to Consolidated Financial Statements.

Operating expenses, excluding the non-recurring charges, were $5,477,000 in the second quarter of fiscal 1992 compared to $5,748,000 in the second quarter of fiscal 1991, a decrease of $271,000. Operating expenses, excluding the non-recurring charges, were $11,060,000 in the first half of fiscal 1992 compared to $11,142,000 in the same prior year period.

Interest expense was $581,000 in the second quarter of fiscal 1992 compared to $861,000 in the second quarter of fiscal 1991, a decrease of $280,000. Interest expense was $1,273,000 in the first half of fiscal 1992 compared to $1,739,000 for the same prior year period, a decrease of $466,000. The decrease was attributable to lower outstanding debt balances in fiscal 1992 and lower interest rates.

A benefit for income taxes was recognized in the fiscal 1992 periods as compared to an expense for income taxes in the fiscal 1991 periods. The benefit recognized was limited to the amount that could be carried back to prior years.

Liquidity and Capital Resources

Net cash provided by operations was $3,989,000 in the first half of fiscal 1992, compared to $6,708,000 in the same prior year period, a decrease of $2,719,000. Of the net cash provided by operations, the net loss and depreciation and amortization utilized $1,505,000 in fiscal 1992 compared to a contribution from net income and depreciation and amortization of $2,588,000 in fiscal 1991. The non-recurring charges aggregating $3,702,000 which were incurred in the second quarter of fiscal 1992 will affect cash flow as the related actions are taken.

Net cash provided by operations was used primarily for the repayment of debt. Indebtedness other than the revolving credit agreement totalled $9,801,000 and $11,732,000 at January 31, 1992 and July 31, 1991, respectively, a decrease of $1,931,000.

Capital expenditures were $590,000 in the first half of fiscal 1992. As of January 31, 1992, there are no material commitments for specific capital expenditures.

The Company's revolving credit agreement permits borrowings of up to $20,000,000, subject to collateral maintenance requirements, at an annual interest rate of 1.5% over the senior lender's base rate. Borrowings outstanding under the revolving credit agreement were $14,736,000 and $16,204,000 at January 31, 1992 and July 31, 1991, respectively, a decrease of $1,468,000. The amount the Company may borrow under the revolving credit agreement is based upon a formula related to eligible accounts receivable and inventories. As of January 31, 1992, unused borrowings available under the formula were $1,968,000. On March 13, 1992, the revolving credit agreement was amended to extend the maturity date from March 22, 1992 to June 22, 1992 and to increase the annual interest rate charged on borrowings thereunder by .5% to an annual rate of 1.5% above the senior lender's base rate.

At January 31, 1992, the end of its second fiscal quarter, the Company was not in compliance with certain financial covenants under its revolving credit agreement resulting primarily from the adverse impact on the Company's results of operations from the persistent recessionary conditions which have adversely effected the primary industrial segments served and due to the incurrence of the non-recurring charges. Such financial covenant violations at the end of the second fiscal quarter have been waived by the Company's senior lender. In connection with this waiver, the Company's senior lender has required it to engage a management consultant to evaluate the Company's operating plans. Management believes the Company will be required to seek additional waivers from its senior lender at April 30, 1992, the end of its third fiscal quarter. The Company's ability to meet its liquidity needs is dependent on its ability to obtain any required waivers and to obtain a new credit facility on terms acceptable to the Company upon maturity of its existing facility on June 22, 1992. There can be no assurance that the Company will be able to obtain any required waivers or that any new credit facility will contain terms as favorable to the Company as those contained in its existing facility. See Note 8 of Notes to Consolidated Financial Statements.

During the remainder of fiscal 1992, the Company expects to continue to finance its operations from borrowings under the revolving credit agreement and from internally generated funds.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On March 2, 1992 a purported Class Action was filed in the United States District Court for the District of Connecticut against the Company, Stanwich Oil & Gas, Inc., the First Boston Corporation and certain of the Company's officers and directors. The suit alleges violations of the federal securities laws and state and federal common law in connection with alleged misrepresentations and omissions made by the Company in connection with its initial public offering in March 1990 and in certain reports later issued by the Company. The Company believes the allegations are without merit and will defend the litigation vigorously.

Item 4. Submission of matters to a vote of security holders.

On January 23, 1992 an annual meeting of DeVlieg-Bullard, Inc. was held, at which meeting the shareholders elected Charles E. Bradley, Laurence DeFrance, Burton C. Borgelt, Thomas L. Cassidy, George A. Chandler, John R. Kennedy, John C. McConnaughy, Jr., John G. Poole and William O. Thomas as the Board of Directors of the Company to hold office until the next annual meeting and until their successors are elected and qualified. In addition, the shareholders approved the 1991 Stock Option Plan for Outside Directors.

ITEM 5. Other Information.

Effective March 2, 1992, Laurence DeFrance resigned his position as the Company's President and Chief Executive Officer. Mr. DeFrance has assumed the position of Vice Chairman of the Board of Directors. William O. Thomas, a director and formerly Vice Chairman of the Board of Directors, has been appointed Acting President of the Company. In addition, the corporate headquarters will be relocated from Nashville, Tennessee to Stamford, Connecticut.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

(10.1)	Amendment No. 5 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990, among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.

(10.2) Amendment No. 6 to Amended and Restated Loan and Security Agreement dated as of March 22, 1990 among BancBoston Financial Company, DeVlieg-Bullard, Inc. and Penberthy, Inc.

(10.3) DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors.

(10.4) Certificate of Merger of Lyons Holdings, Inc. and DeVlieg-Lyons Integrated Systems, Inc. into DeVlieg-Bullard, Inc.

(11) Computation of Earnings per Common Share.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DeVlieg-Bullard, Inc.
(Registrant)

Date: 03/13/92

By:
Charles E. Bradley
Chairman of the
Board of Directors

Date: 03/13/92

By:
Arthur B. Hammond
Vice President,
Secretary and Chief
Financial Officer

DeVlieg-Bullard, Inc.

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EXHIBIT 10.1

AGREEMENT AND AMENDMENT NO. 5 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 5 is made as of December 20, 1991 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

1. Section 1.8 of the Loan Agreement is hereby amended by deleting the figure "$27,000,000" from clause (i) thereof and substituting in its place the figure "$20,000,000."

2. The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby.

3. This Agreement and Amendment No. 5 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 5 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: ____________________
Title:

PENBERTHY, INC.

By: ____________________
Title:

BANCBOSTON FINANCIAL COMPANY

By: ____________________
Title: WILLIAM C. [illegible]
VICE PRESIDENT

AGREEMENT AND AMENDMENT NO. 5 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 5 is made as of December 20, 1991 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

1. Section 1.8 of the Loan Agreement is hereby amended by deleting the figure "$27,000,000" from clause (i) thereof and substituting in its place the figure "$20,000,000."

2. The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby.

3. This Agreement and Amendment No. 5 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 5 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: ______________________
Title: VICE PRESIDENT

PENBERTHY, INC.

By: ______________________
Title: VICE PRESIDENT

BANCBOSTON FINANCIAL COMPANY

By: ______________________
Title:

EXHIBIT 10.2

AGREEMENT AND AMENDMENT NO. 6 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AGREEMENT AND AMENDMENT NO. 6 is made as of March 13, 1992 by and among BANCBOSTON FINANCIAL COMPANY, DEVLIEG-BULLARD, INC. AND PENBERTHY, INC.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan and Security Agreement dated as of March 22, 1990, as amended (the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings.

WHEREAS, the parties wish to amend the Loan Agreement further.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers and the Lender agree as follows:

SECTION 1. REPRESENTATIONS OF THE BORROWERS. The Borrowers represent and warrant to the Lender as follows:

1.1 The Borrowers were in default under Sections 5.26, 5.27, 5.29 and 5.31 of the Loan Agreement as of January 31, 1992 and such Events of Default are continuing at the date hereof.

1.2 The Borrowers were in default of the Loan Agreement on December 15, 1991 for failure to deliver an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises, and such Event of Default is continuing at the date hereof.

1.3 Other than the Events of Default described in Sections 1.1 and 1.2 above, there is no Event of Default which has occurred or is continuing and there is no event or condition which, with the giving of notice or the passage of time, or both, would result in an Event of Default.

SECTION 2. AMENDMENTS TO LOAN AGREEMENT.

2.1 Section 1.56 of the Loan Agreement is hereby amended to delete therefrom the date "March 22, 1992" and to insert in lieu thereof the date "June 22, 1992".

2.2 Section 2.2.3 of the Loan Agreement is hereby amended to read in its entirety as follows:

> "2.2.3 Revolving Loans shall bear interest at a rate per annum equal to one and one-half percent (1 1/2%) above the Base Rate from time to time. Notwithstanding the foregoing, if at any time, whether as a result of the application of any present or future applicable law (which expression, as used in this Agreement, includes statutes and rules and regulations thereunder and interpretations thereof by any competent court or by any governmental body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time heretofore or hereafter made upon or issued to the Lender by any central bank or any fiscal, monetary or other authority, whether or not having the force of law), changes in any present or future law, subsequent transactions by the Borrowers, changes in the ratio of Indebtedness of the Borrowers to Consolidated Net Worth or otherwise, the Lender is deemed to be involved in a so-called "highly leveraged transaction" by virtue of its having extended or its maintaining the Loans, then the Lender shall notify the Borrowers thereof and at any time thereafter so long as the Lender is so deemed to be involved in a "highly leveraged transaction," the Revolving Loans shall, at the option of the Lender (exercised by notice in writing to the Borrowers), bear interest at a rate equal to two percent (2%) above the Base Rate in effect from time to time. The Lender will act reasonably and in good faith in making any determination pursuant to this Section."

2U

2.3 Section 5.27 of the Loan Agreement is hereby amended to change the period at the end thereof to a semi-colon and to add the following to the end thereof:

> "*provided*, however, that for and during the fiscal quarter ending April 30, 1992, Liquidity shall be calculated only as at the end of such quarter."

2.4 Section 5.29 of the Loan Agreement is hereby amended to add the following sentence at the end thereof:

> "Notwithstanding the foregoing, for and during the fiscal quarter ending April 30, 1992, the foregoing ratio shall be calculated only as at the end of such quarter."

SECTION 3. CONSENTS AND WAIVERS.

3.1 The Lender hereby waives the Borrowers' defaults as of January 31, 1992 under Sections 5.26, 5.27, 5.29 and 5.31 of the Loan Agreement; provided, however, that such waiver shall not affect Borrowers' obligations pursuant to Section 5.1 of the Agreement and Amendment No. 4 to Amended and Restated Loan and Security Agreement, dated as of October 29, 1991, to pay to the Lender on or before March 22, 1992 the second installment of the amendment fee equal to $40,000.00.

3.2 The Lender hereby waives the Borrowers' default under the Loan Agreement for failure to deliver, on or before December 15, 1991, an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises.

SECTION 4. CONDITIONS TO AGREEMENT AND AMENDMENT.

4.1 The execution and delivery of this Agreement and Amendment No. 6 by the Lender is conditioned upon the receipt by the Lender on or prior to the date hereof of an allonge to the Credit Note in the form of Exhibit "A-9" attached hereto.

4.2 In order to induce the Lender to enter into this Agreement and Amendment, the Borrowers hereby agree to do, make or deliver, at their sole cost and expense, the following acts, things, instruments and documents, on or before the dates specified below:

(a) hire on or before March 13, 1992, at their sole cost and expense, a consultant to assist in the management and operation of the Business, which consultant shall be reasonably satisfactory to the Lender; and

(b) deliver to the Lender as soon as possible but in any event on or before April 30, 1992 an endorsement to the leasehold mortgage title insurance policy relating to the Muskegon, Michigan premises in form and substance satisfactory to the Lender in its sole discretion.

Any failure by the Borrowers to comply with the terms and conditions of this paragraph 4.2 shall constitute an Event of Default under the Loan Agreement.

4.3 In order to further induce the Lender to enter intc this Agreement and Amendment, the Borrowers hereby agree that, notwithstanding anything in the Loan Agreement or herein to the contrary, the Borrowers shall not make any Restricted Payments to Stanwich Partners, Inc., whether pursuant to Section 5.21(b)(i) of the Loan Agreement or otherwise for the period from the date hereof through July 1, 1992. Any failure of the Borrowers to comply with the terms and conditions of this paragraph 4.3 shall constitute an Event of Default under the Loan Agreement.

SECTION 5. GENERAL.

5.1 The Loan Agreement is ratified and confirmed and shall continue in full force and effect as amended hereby. The Borrowers acknowledge and agree that all waivers and consents contained in this Agreement and Amendment No. 6 are limited as provided herein and do not extend any other provisions of the Loan Agreement not specified herein or to any other matters.

5.2 This Agreement and Amendment No. 6 may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Agreement and Amendment No. 6 under seal as of the date first above written.

DEVLIEG-BULLARD, INC.

By: ____________________
Title:

PENBERTHY, INC.

By: ____________________
Title:

BANCBOSTON FINANCIAL COMPANY

By: ____________________
Title: Vice President.

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EXHIBIT A-9

ALLONGE

March ____, 1992

This Allonge is made to that certain Amended and Restated Revolving Credit Note dated March 22, 1990 made by the undersigned and payable to BancBoston Financial Company in the original principal amount of $25,000,000, as amended by an Allonge dated March 20, 1991 increasing the maximum principal amount to $27,000,000 and by an allonge dated September 21, 1990 (the "Credit Note"). Terms defined in the Credit Note are used herein with the same meanings.

The principal amount of the Credit Note is hereby decreased to $20,000,000.

The Interest Rate of the Credit Note is hereby increased to one and one-half percent (1 1/2%) above the Base Rate.

At the option of the Lender, as provided in Section 2.2.3 of the Agreement, the Interest Rate shall be increased to two percent (2%) above the Base Rate, and from and after the exercise of such option, the amount of Principal from time to time outstanding shall bear interest at a rate per annum equal to two percent (2%) above the Base Rate.

From and after the date hereof, the provisions of the Allonge to the Credit Note dated September 21, 1990, shall have no further force or effect.

The Credit Note as amended hereby shall continue in full force and effect.

This Allonge shall become part of the Credit Note and shall be subject to all of the terms and conditions thereof, and although it is in the interest of the parties that this Allonge be affixed to the Credit Note, this Allonge shall continue in full force and effect even if it has not been so affixed.

DEVLIEG-BULLARD, INC.

By:____________________________
Title: V.P.

PENBERTHY, INC.

By:____________________________
Title: V.P.

AGREED:
BANCBOSTON FINANCIAL COMPANY

By:____________________________
Vice President

EXHIBIT 10.3

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DEVLIEG-BULLARD, INC.
1991 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS

1. Purpose

The purposes of the DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors are to advance the interests of DeVlieg-Bullard, Inc. (the "Company") and its stockholders by attracting and retaining the highest quality of experienced persons as directors and to align the interest of the Outside Directors of the Company more closely with the interests of the Company's stockholders.

2. Definitions

The following terms shall have the meanings indicated below:

(a) "Affiliate" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(b) "Board" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(c) "Change in Control" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(d) "Code" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(e) "Committee" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(f) "Common Stock" means the common stock, par value $.01 per share, of the Company.

(g) "Company" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(h) "Disability" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(i) "Fair Market Value" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(j) "Option" means an option granted to an Outside Director pursuant to the Plan.

(k) "Optionee" means an Outside Director who has been granted an Option pursuant to the Plan.

(l) "Outside Director" means any member of the Board of Directors of the Company who during the term of this Plan has not served as an officer or employee of the Company, a consultant to the Company or an officer or employee of Stanwich Partners, Inc. or its affiliates.

(m) "Plan" means the DeVlieg-Bullard, Inc. 1991 Stock Option Plan for Outside Directors.

(n) "Potential Change in Control" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(o) "Retirement" means retirement from active directorship of the Company.

(p) "Subsidiary" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

3. Administration

The Plan shall be administered by the Committee of the Board of the Company. The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the Plan; provided, however, that the Committee shall have no discretion with respect to designating the recipient of an Option, the number of shares of Common Stock that are subject to an Option or the exercise price for an Option. All decisions made by the Committee in construing the provisions of the Plan shall be final.

4. Eligibility

Each Outside Director of the Company shall be eligible to participate under the Plan.

5. Stock Subject to the Plan

Subject to adjustment as provided in Paragraph 11, not more than 50,000 shares of Common Stock may be issued in respect of Options granted under the Plan. Such shares that may be issued upon the exercise of Options under the Plan are authorized but unissued shares. Shares of Common Stock subject to an Option shall, upon the expiration or termination of such Option, to the extent unexercised, again be available for grant under the Plan.

6. Grant of Options

Options will be awarded under this Plan pursuant to the following:

(a) Each Outside Director of the Company who served in such capacity on January 10, 1991 shall be and hereby is granted as of such date, subject to stockholder approval of the Plan, an Option to purchase 5,000 shares of the Company's Common Stock subject to adjustment as provided in Paragraph 11.

(b) Commencing with the Annual Meeting of Shareholders for the year ended July 31, 1991, each Outside Director on the date of his initial election to the Board, whether such election is by the Board or by the Company's stockholders, shall be granted as of such date, subject to stockholder approval of the Plan, an Option to purchase 5,000 shares of the Company's Common Stock subject to adjustment as provided in Paragraph 11, provided that such Optionee has not received such an Option on some previous date.

7. Option Price

Each Option granted hereunder shall represent the right to purchase the shares of Common Stock represented thereby at the Fair Market Value on the date the Option is granted.

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8. **Option Agreement**

The grant of any Options shall be evidenced by a written Stock Option Agreement executed by the Company and the Optionee. The Stock Option Agreement shall contain the number of shares of Common Stock subject to the Option evidenced thereby, the other essential terms of the Option determined in accordance with Paragraph 9 hereof, and other terms that are not inconsistent with requirements of this Plan.

9. **Terms and Conditions of Options**

(a) Except as otherwise provided in Paragraph 12, Options granted pursuant to the Plan shall become exercisable one year from the date of grant, except that the first grant hereunder which shall vest six months and one day following stockholder approval of this Plan. All Options shall have a term of ten years from the date of grant, subject to earlier termination pursuant to Paragraph 13.

(b) Options that have not become exercisable on the date the Optionee ceases to serve as a director of the Company for any reason shall be forfeited and terminated immediately upon termination of service.

(c) Options that have become exercisable on the date the termination or expiration of the Optionee's position as a director may be exercised as follows:

(1) Retirement or Disability

If the Optionee shall cease to be a director of the Company by reason of Retirement or Disability, the Optionee may exercise the Option if and to the extent it was exercisable on the date of such cessation. Such Option may be exercised for a period of three years from the date of such cessation or until the expiration of the stated term of such Option; whichever period is the shorter.

(2) Death

If the Optionee shall cease to be a director by reason of death, the optionee's legal representative may exercise the Option if and to the extent it was exercisable on the date of the Optionee's death. Such Options may be exercised for a period of one year from the date of such death or until the expiration of the stated term of such Option, whichever period is shorter.

(3) Termination for any other reason

If the Optionee shall cease to be a director of the Company for any reason other than Retirement, Disability, or death, the Optionee may exercise the Option, to the extent it was exercisable on the date of such cessation, if the Optionee was involuntarily terminated by the Company without

Cause. Such Options, if exercised, must be exercised within the lesser of three months from the date of cessation or the balance of the stated term of the Option. For purposes of this Plan, "Cause" shall have the meaning set forth in the Company's 1989 Employee Stock Plan.

(d) Exercise of Options
An Option shall be exercised by delivery to the Corporate Secretary of the Company a written notice of exercise in the form prescribed by the Corporate Secretary for use from time to time. Such notice of exercise shall indicate the number of shares to which the Option is exercised and shall be accompanied by the full exercise price for the Options exercised.

(e) Form of Payment
The exercise price may be paid in cash (including certified or cashier's check, bank draft or money order), Common Stock, or a combination of Common Stock and cash. The Common Stock so delivered shall be valued at the Fair Market Value of the Common Stock on the date of exercise. No shares of Common Stock shall be issued or delivered until full payment has been made.

(f) Non-Transferability
No Option under the Plan shall be assignable or transferable by the Optionee, except by will or pursuant to applicable laws of descent and distribution. During the life of an Optionee, an Option shall be exercisable only by such Optionee or the Optionee's guardian or legal representative.

(g) No Rights as Stockholders
Holders of Options under the Plan shall have no rights as stockholders unless and until certificates for shares of Common Stock are registered in their names in satisfaction of a duly exercised option.

10. Withholding Taxes

Whenever the Company issues or transfers shares of Common Stock under the Plan, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate for such shares. The Company shall have the right to retain sufficient shares of Common Stock to cover the amount of any tax required by any government to be withheld or otherwise deducted or paid with respect to the exercise of the Options; provided, that the Optionee does not deliver to the Company cash and/or shares of Common Stock in the amount determined by the Company to be sufficient to satisfy such tax. The Common Stock so retained or delivered shall be valued at the Fair Market Value of the Common Stock on the date retained or delivered.

11. Capital Adjustments and Corporate Reorganizations

In the event of any change in the outstanding shares of stock by reason of a stock dividend, split or combination, or recapitalization or reclassification, or reorganization, merger or consolidation, in which the Company is the surviving corporation or other similar change affecting the stock, the number and class of shares then subject to Options and for which Options may thereafter be granted and the amount per share of stock payable upon exercised or surrender of such Options shall be appropriately adjusted by the Committee to reflect such change. No fractional shares shall be issued as a result of such adjustment. In the event of a dissolution of the Company or a reorganization, merger or consolidation in which the Company is not the surviving corporation, the Company by action of its Board shall either (i) terminate outstanding and unexercised Options as of the effective date of such dissolution, merger or consolidation by giving notice to each Optionee of its intention to do so and permitting the exercise, during the period prior to such effective date to be specified by the Committee, of all outstanding and unexercised Options or portions thereof; provided, however, that no Option shall become exercisable hereunder either after the expiration date thereof or prior to one year from the date of grant thereof, or (ii) in the case of such reorganization, merger or consolidation, arrange for an appropriate substitution of shares or other securities of the corporation with which the Company is reorganized, merged or consolidated in lieu of the shares of stock which are subject to such outstanding and unexercised Options.

12. Change in Control Provision

(a) In the event of a "Change in Control" or a "Potential Change in Control" the following acceleration and valuation provisions shall apply:

(1) Any Option awarded under the Plan to an Optionee, not previously exercisable, shall become fully exercisable.

(2) The value of all exercisable Options may, at the Optionee's election, be cashed out at the Change in Control Price (as defined in the Company's 1989 Employee Stock Plan).

13. Effective Date and Term of the Plan

The Plan will become effective on the date of its adoption by the Board, subject to approval by a majority of the stockholders at the Annual Meeting of Stockholders for the year ended July 31, 1991. The Board in its discretion may terminate the Plan at any time with respect to any shares for which options have not heretofore been granted. Except with respect to Options then outstanding, if not sooner terminated, the Plan shall terminate upon, and no further Options shall be granted after, the expiration of 10 years from the effective date of the Plan.

14. **Amendments**

The Board shall have the right to alter or amend the Plan or any part thereof from time to time provided that no change in any Option theretofore granted may be made which would impair the rights of the Optionee without the consent of such Optionee; and provided, further, that the Board may not make any alteration or amendment which would materially increase the benefits accruing to participants under the Plan, increase the aggregate number of shares of Common Stock which may be issued pursuant to provisions of the Plan, or extend the terms of the Plan, without the approval of the stockholders of the Company.

EXHIBIT 10.4

State of Delaware

Office of Secretary of State

RECEIVED
91 DEC 19

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER OF "DEVLIEG-LYONS INTEGRATED SYSTEMS, INC." AND "LYONS HOLDINGS, INC." MERGING WITH AND INTO "DEVLIEG-BULLARD, INC." UNDER THE NAME OF "DEVLIEG-BULLARD, INC." WAS RECEIVED AND FILED IN THIS OFFICE THE THIRTEENTH DAY OF DECEMBER, A.D. 1991, AT 11 O'CLOCK A.M.

* * * * * * * * * * * *

721347090

Michael Harkins

Michael Harkins, Secretary of State

AUTHENTICATION: *3270868

DATE: 12/13/1991

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:00 AM 12/13/1991
721347090 - 2188787

CERTIFICATE OF MERGER

OF

LYONS HOLDINGS, INC.

AND

DEVLIEG-LYONS INTEGRATED SYSTEMS, INC.

INTO

DEVLIEG-BULLARD, INC.

****

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

NAME	STATE OF INCORPORATION
Lyons Holdings, Inc.	Delaware
DeVlieg-Lyons Integrated Systems, Inc.	Delaware
DeVlieg-Bullard, Inc.	Delaware

SECOND: That an agreement of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of section 251 of the General Corporation Law of Delaware.

THIRD: That the name of the surviving corporation of the merger is DeVlieg-Bullard, Inc.

FOURTH: That the Restated Certificate of Incorporation of DeVlieg-Bullard, Inc., a Delaware corporation which will survive the merger, shall be the Restated Certificate of Incorporation of the surviving corporation.

FIFTH: That the executed Agreement of Merger is on file at the principal place of business of the surviving corporation, the address of which is 3100 West End Avenue, Suite 880, Nashville, Tennessee 37203.

SIXTH: That a copy of the Agreement of Merger will be furnished by the surviving corporation, on request and without cost, to any stockholders of any constituent corporations.

SEVENTH: That this Certificate of Merger shall be effective upon filing by the Delaware Secretary of State.

Dated: October 22, 1991

DeVlieg-Bullard, Inc.

By: ____________________
President

ATTEST:

By: ____________________
Secretary

/83568

EXHIBIT 11

Exhibit 11

DeVlieg-Bullard, Inc.
Computation of Earnings per Share
(unaudited - in thousands, except per share data)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991	Six Months Ended January 31, 1992	Six Months Ended January 31, 1991
Net income (loss)	($2,898)	$532	($2,756)	$1,416
Preferred stock dividends	(58)	0	(58)	0
Accretion of preferred stock discount	(64)	(62)	(127)	(122)
Net income (loss) attributable to common stockholders	($3,020)	$470	($2,941)	$1,294
Net income (loss) per common share	($0.25)	$0.04	($0.24)	$0.11
Weighted average number of common shares outstanding	12,250	12,250	12,250	12,250

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 1-

OF THE SECURITIES EXCHANGE ACT OF 1934

12662 L39

For the Quarter Ended January 31, 1992

1-10468

(Commission File Number)

ELECTRONIC TECHNOLOGY GROUP, INC.
(Exact name of registrant as specified in its charter)

315 North Main Street, Suite 200, Jamestown, New York 14701
(Address of registrant's principal executive office)

716-488-9699

(Registrant's telephone number)

Delaware (State of Incorporation)	16-1297591 (IRS Employer Identification Number)

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

The number of shares of common stock outstanding as of March 6, 1992 was 6,472,621.

BEST COPY
AVAILABLE

ELECTRONIC TECHNOLOGY GROUP, INC.

INDEX TO FORM 10-Q

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Consolidated Balance Sheet - January 31, 1992 and July 31, 1991. 1

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I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ELECTRONIC TECHNOLOGY GROUP, INC.
CONSOLIDATED BALANCE SHEET

	January 31, 1992 (Unaudited)	July 31, 1991
ASSETS		
Current:		
Cash and cash equivalents	$ 125,737	$ 55,340
Accounts receivables, net	2,587,160	2,220,236
Inventories:		
Raw materials	1,802,595	1,676,378
Work in process	706,688	673,268
Total Inventories	2,509,283	2,349,646
Refundable income taxes	651,636	623,213
Due from officer/shareholder	50,952	51,012
Prepaid expenses	249,535	211,486
Total current assets	6,174,303	5,510,933
Property, plant and equipment at cost	5,636,669	5,284,601
Less accumulated depreciation	(887,568)	(620,140)
Net property, plant and equipment	4,749,101	4,664,461
Goodwill	2,246,770	2,305,366
Intangible assets	546,421	594,795
Other assets	358,718	393,951
Notes receivables	100,000	100,000
Total assets	$ 14,175,313	$ 13,569,506
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current:		
Notes payable	$ 1,077,539	$ 1,202,000
Accounts payable	2,276,185	2,687,166
Accrued expenses	574,564	578,003
Accrued income taxes	9,273	-0-
Customer deposits	16,450	-0-
Current portion of long-term debt	1,051,284	1,475,467
Total current liabilities	5,005,295	5,942,636
Long term debt	4,078,939	4,549,460
Deferred income taxes	52,898	36,898
Shareholders' Equity:		
Common Stock	29,527	12,952
Paid-in-capital	7,116,412	4,007,958
Retained earnings (deficit)	(2,107,758)	(980,398)
Total shareholders' equity	5,038,181	3,040,512
Total liabilities and shareholders' equity	$ 14,175,313	$ 13,569,506

See accompanying notes.

ELECTRONIC TECHNOLOGY GROUP, INC.
CONDENSED STATEMENT OF CONSOLIDATED OPERATIONS

(Unaudited)

	Quarter Ended		Six Months Ended	
	January 31, 1992	January 31, 1991	January 31, 1992	January 31, 1991
Net Sales	$ 4,069,844	$ 4,084,117	$ 7,907,008	$ 8,284,073
Cost of Sales	3,459,970	3,317,590	7,201,067	6,414,748
Gross Profit	609,874	766,527	705,941	1,869,325
Selling, General and Administrative	(791,273)	(894,073)	(1,458,739)	(1,534,713)
Income (Loss) from Operations	(181,399)	(127,546)	(752,798)	334,612
Other Income (Expense):				
Interest Expense	(219,618)	(197,742)	(412,814)	(351,936)
Interest Income	7,286	5,198	9,154	19,329
Miscellaneous	3,933	10,718	2,454	(2,406)
	(208,399)	(181,826)	(401,206)	(335,013)
Net Income (Loss) Before Taxes	(389,798)	(309,372)	(1,154,004)	(401)
Provision (Benefit) for Income Taxes	-0-	(94,640)	1,225	13,500
Net Income (Loss)	$ (389,798)	$ (214,732)	$ (1,155,229)	$ (13,901)
Net Income (Loss) per Common Share	$ (.06)	$ (.10)	$ (.26)	$ (.01)
Weighted Average Number of Common Shares Outstanding	6,021,493	2,093,611	4,494,567	2,093,611

The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

See accompanying notes.

ELECTRONIC TECHNOLOGY GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	1/31/92	1/31/91
Cash flows from operating activities:		
Cash received from customers	$ 7,542,538	$ 7,249,694
Cash paid to suppliers and employees	(8,850,146)	(7,532,078)
Interest paid	(412,814)	(349,406)
Interest income	9,154	19,329
Income taxes paid	-0-	(383,486)
Net cash provided by (used in) operating activities	(1,711,268)	(995,947)
Cash flows from investing activities:		
Payment for purchase of subsidiary	-0-	(1,104,195)
Capital expenditures	(352,068)	(3,382,295)
Net cash used in investing activities	(352,068)	(4,486,490)
Cash flows from financing activities:		
Net proceeds from stock offering	3,152,897	-0-
Net borrowings (payments) per line of credit	(124,461)	320,000
Proceeds from issuance of long term debt	48,453	3,806,801
Proceeds from loans from officers/shareholders	-0-	49,714
Principal payments on loans from related parties	-0-	(15,000)
Principal payments on long term debt	(943,156)	(247,880)
Deposits	-0-	(10,000)
Net cash provided by financing activities	2,133,733	3,903,635
Net increase (decrease) in cash	70,397	(1,578,802)
Cash and cash equivalents at beginning of period	55,340	1,598,419
Cash and cash equivalents at end of period	$ 125,737	$ 19,617
Reconciliation of net income to cash flows from operating activities:		
Net income (loss)	$ (1,155,229)	$ (13,901)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	374,398	235,544
Deferred income taxes	16,000	1,000
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(366,924)	(1,034,379)
Decrease (increase) in inventories	(159,637)	(245,747)
Decrease (increase) in prepaid expense and other	(2,756)	(308,405)
Increase (decrease) in accounts payable	(410,981)	256,560
Increase (decrease) in accrued liabilities	13,011	310,341
Increase (decrease) in accrued income taxes	(19,150)	(93,815)
Total adjustments	(556,039)	878,891
Net cash provided by (used in) operating activities	$ (1,711,268)	$ (892,792)

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In August, 1990, ACT II Printed Circuits, Inc., located in Tempe, Arizona, was acquired by the Company.

2. On October 17, 1991, the Company consummated a secondary public offering of its equity securities, consisting of 3,000,000 units. Each unit was comprised of one share of Common Stock and one Common Stock purchase warrant. The issuance of the capital stock has been reflected in the computation of earnings per share as presented in the Statement of Operations, as well as the receipt of cash proceeds from the underwriter, net of the underwriter's commission reflected in the Statement of Cash Flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Net sales of $4,069,844 for the quarter ended January 31, 1992 were a decrease of less than 1% of the sales of $4,084,117 for the comparable period in 1991. Sales for the first six months of the fiscal year, ending January 31, 1992, were $7,907,008, a decrease of approximately 5% over the comparable six month period in the prior year. Management believes that the decrease caused by the general downturn in the economy, which adversely affected the market for the Company's products and services during the prior fiscal year and into the immediately preceding reporting quarter, has continued to impact the results during the current reporting periods. Although sales have increased at the Liberty Engineering, Inc. (LEI) facility, when compared with the comparable periods in the prior fiscal year, Act II Printed Circuits, Inc. (Act II) sales have remained similar to those same periods. Sales at EJE Research Corp. (EJE) reflected significant decreases. While much of EJE's business comes from customers located in the northeast portion of the US, as does LEI's, EJE's customers continued to be negatively impacted during the current reporting periods, whereas LEI customers began to increase their orders. Management is unable to accurately state whether these trends will continue during the remainder of the current fiscal year, but believes that bookings at EJE will increase over those of the current six month period.

Cost of production, as a percentage of sales was 85% for the fiscal quarter ended January 31, 1992, as compared with 81% for the comparable period in the prior year, and approximately 91% and 77% for the six month fiscal periods ended January 31, 1992 and 1991 respectively. These increases are primarily due to the economic downturn which has had, and continues to have, an adverse impact on the operating performance of the Company. In addition, a fire occurred at the Act II facility, causing that subsidiary to lose two weeks production time. In spite of the production inefficiencies attributable to the fire, Act II has begun to realize improvements in productivity and operating efficiencies due to the education of the employees in utilizing the manufacturing systems installed during the prior fiscal year. A 6% improvement in efficiency, as a percentage of sales was experienced between the first and second quarter of the current fiscal year. Management anticipates that overall costs of production will continue to decrease during the remaining quarters.

Selling, general and administrative expenses, as a percentage of sales, were approximately 19% for the fiscal quarter ended January 31, 1992, as compared with approximately 22% for the comparable quarter ended January 31, 1991, and approximately 18% for the six months ended January 31, 1992 contrasted with 19% for the comparable period ended January 31, 1991. The fiscal year 1992 decreases are attributable, in substantial part, to the Company's reduction in salaries paid during the current reporting periods. Management believes that many excess overhead expenses have been eliminated and each location's SG&A contribution is very efficient. Should sales increase during the remainder of the fiscal year,

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONTINUED)

the fixed overhead expenses will be further absorbed and these expenses, as a percentage of sales, should decrease to the 14% range.

Interest expense during the quarter ended January 31, 1992 was $219,618, approximately 5% of sales, as compared to $197,742, or 5% of sales, for the quarter ending January 31, 1991. For the six months ended January 31, 1992, the interest expense was $412,814, or 5% of sales, compared with $351,936, or 5% of sales for the six months ended January 31, 1991. Although interest expense continues to decrease at EJE and LEI, due to the decline in principal note and the variable interest rates, the fixed rate cost of financing the Act II acquisition and expansion will continue to keep interest expense at an approximate 5% of sales for the remainder of the fiscal year. Should Management be successful in securing a new Corporate financing package, a significant savings could be realized.

Interest income, reflected during the current and comparable reporting periods, is a result of temporary short-term investments in bank certificates of deposit and commercial paper. The funds for these investments, during the current fiscal year, were derived from the proceeds of the Company's secondary public offering, and during the periods in the prior fiscal year, from the Company's initial public offering. As the proceeds have now been utilized, further interest income is not anticipated during the remainder of the current fiscal year.

The net loss for the second quarter ended January 31, 1992 was $389,798, or .06 per share, contrasted with a loss of $214,732, or $.10 per share, for the quarter ended January 31, 1991. For the six months ended January 31, 1992, the net loss was $1,155,229, or $.26 per share, compared with a loss of $13,901, or $.01 per share, for the prior year six month period. The number of outstanding shares of common stock, utilized in the computation of earnings per share, increased during the fiscal 1992 reporting periods, as a consequence of the issuance of additional shares in the Company's secondary public offering.

Management believes that the losses reported during the current fiscal year periods are the result of three factors: 1) the general downturn in the economy continues to impact each of the subsidiaries; 2) the effects of the operating inefficiencies created as a consequence of the Act II expansion program are still contributing to the loss; 3) the above referenced fire which took place in the production area of Act II, on December 23, 1991, caused the Company to incur an estimated $100,000 in directly related expenses. This fire, combined with the resultant production loss during the two week shut down, caused Act II not to realize the anticipated break-even goal for the quarter.

It is Management's belief that replacement of general managers at each of the three subsidiaries during the current reporting quarter has shown very positive results at each facility. In addition, quoting activity at both EJE and LEI, as well as increased sales efforts, have generated several new customers in each of those locations. Management is optimistic about the business potential which has begun to develop. Also, Act II has recently contracted with a new sales representative group to assist in generating new sales opportunities in the Southwest U.S.

LIQUIDITY AND CAPITAL RESOURCES

Operating losses at the Act II facility continue to impact the cash flow of the Company. However, the procedures established, particularly in the areas of education and training of the production personnel, have begun to have a measurable effect in improvement of the quality of the manufactured product, as well as a decrease in the costs of production. Management believes that these improvements resulted in the decrease of the net loss at Act II by approximately 70% from the first quarter.

The above referenced fire, at Act II, has resulted in the preparation of an insurance claim by the Company and its outside consultant for reimbursement of the expenses incurred for both the clean up of the damage, and the replacement of lost equipment. As the extent of the fire was minor, and the accident occurred at a time when employees were not working, the Company was fortunate that no one was injured and that the fire suppression equipment was properly employed to keep the losses at a minimum. A great deal of effort by all employees resulted in an actual production loss of only two weeks. However, the forced shutdown, combined with the loss of productivity for a period subsequent to the shut-down, has prompted the Company to prepare a claim for reimbursement from its business interruption insurance policy. Should the claims be approved, the receipt of the insurance proceeds would have a positive impact on the statement of operations during an ensuing reporting period.

Through the end of this current quarter, the balance of the proceeds of the recent offering have been utilized, primarily for working capital to improve the operation of the production facilities and to strengthen vendor relationships. As a result, the flow of material to production has occurred more efficiently.

The Company is continuing to search for a lender to provide a corporate refinancing package and is utilizing several independent brokers to assist in that search. As lending rates are more favorable in today's marketplace, should the Company be successful in this effort, for which there can be no assurance, Management believes that the reduction in the cost of debt will provide additional working capital to fund growth of the company, as well as provide the vehicle necessary to retire the acquisition debt which matures at the beginning of the next fiscal year. EJE was recently notified by their bank that the existing line of credit has been renewed for a six month period.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company held its Annual Meeting of Shareholders on December 19, 1991. The sole order of business was the routine election of directors.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) Reports of Form 8-K - None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELECTRONIC TECHNOLOGY GROUP, INC.

Date: 3/8/92 By:

Curt B. Westrom
Chief Financial Officer,
Secretary and Treasurer

Signing on behalf of the
Registrant and as principal
financial officer.

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FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 30, 1992

I92-2234

or

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____________ to __________

HALLWOOD INDUSTRIES INCORPORATED
(Exact name of registrant as specified in its charter)

Commission File Number 0-2572

DELAWARE	55-0437067
(State of Incorporation)	(I.R.S. Employer Identification No.)
630 ALPHA DRIVE, PITTSBURGH, PA	15238
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 412-782-4430

Securities registered pursuant to Section 12(b) of the Act:

NONE
(Title of Class)

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Securities registered pursuant to Section 12(g) of the Act:

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Q-Data Corp. - St. Petersburg, FL

Common Stock, Par value $0.01
(Title of Class)

L3C

Warrants to Purchase Common Stock, Par value $0.01
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes _X_ No __

As of June 30, 1992, the number of shares of the Registrant's Common Stock, $0.01 par value per share, issued and outstanding was 2,869,649 of which approximately 107,959 shares were reserved for distribution to holders of disputed claims pursuant to the Registrant's 1989 Plan of Reorganization, when such claims are ultimately resolved. Included in the issued and outstanding shares are 3,635 shares of common stock which were held for distribution in exchange for 161,153 shares of old common stock (stock outstanding prior to the consummation of the Registrant's 1989 Plan of Reorganization) which had not yet been exchanged by their holders for new Common Stock pursuant to such Plan.

DOCUMENTS INCORPORATED BY REFERENCE

None

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Hallwood Industries Incorporated and Subsidiaries:

Consolidated balance sheets as of May 30, 1992 (unaudited) and February 29, 1992 4

Consolidated statements of operations for the thirteen weeks ended May 30, 1992 and June 1, 1991 (unaudited) 5

Consolidated statement of shareholders' equity for the thirteen weeks ended May 30, 1992 (unaudited) 6

Consolidated statements of cash flows for the thirteen weeks ended May 30, 1992 and June 1, 1991 (unaudited) 7

Notes to consolidated financial statements (unaudited) 8

HALLWOOD INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

ASSETS	May 30, 1992 (Unaudited)	February 29, 1992
Current assets:		
Cash and cash equivalents	$ 1,632	$ 2,182
Trade accounts receivable, less allowance of $309	4,965	4,447
Due from Hallwood Holdings Incorporated	725	627
Accounts receivable, other	98	98
Inventories	6,970	5,612
Other	53	119
Total current assets	14,443	13,085
Property and equipment, at cost	1,691	1,650
Less accumulated depreciation and amortization	(368)	(331)
	1,323	1,319
Other assets	218	219
	$ 15,984	$ 14,623

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 30, 1992 (Unaudited)	February 29, 1992
Current liabilities:		
Accounts payable	$ 7,069	$ 5,868
Accrued compensation	347	511
Current maturities of long-term obligations	65	64
Net obligation of discontinued business segment-current portion.	165	164
Other	322	353
Total current liabilities	7,968	6,960
Other long-term obligations:		
Net obligation of discontinued business segment, long-term portion	1,904	1,904
Long-term debt and capital lease obligations	183	200
	2,087	2,104
Stockholders' equity:		
Preferred stock, par value $0.01 per share; authorized 5,000,000 shares, none issued	-	-
Common stock, par value $0.01 per share; authorized 5,000,000 shares; issued 2,869,649 and 2,869,552 shares	29	29
Additional paid-in capital	39,275	39,149
Deficit (Reorganized on August 26, 1989)	(33,374)	(33,618)
Treasury stock, at cost, 207 shares	(1)	(1)
Total stockholders' equity	5,929	5,559
	$ 15,984	$ 14,623

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	
	May 30, 1992	June 1, 1991
Sales	$ 9,111	$ 9,070
Other income	1	3
	9,112	9,073
Cost of goods sold, including occupancy and buying expenses	7,432	7,251
Operating, selling and administrative expenses	1,280	1,491
Interest (income) expense	(8)	(24)
	8,704	8,718
Income before income taxes	408	355
Income taxes	164	142
Net income	$ 244	$ 213
Per share amounts:		
Net income	$ 0.08	$ 0.08
Weighted average number of shares outstanding used in computing per share amounts	3,126,722	2,789,610
Proforma information (unaudited, Note 2)		
Net income	$ 244	
Preferred stock dividends	(244)	
Net income available to common stockholders	$ –	
Net income per share available to common shockholders	$ –	

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

THIRTEEN WEEKS ENDED MAY 30, 1992

(Unaudited)

(Dollars in thousands, except share data)

	Common Stock		Additional Paid-in	Retained Earnings	Treasury Stock	
	shares	par value	Capital	(Deficit)	shares	cost
Balances, February 29, 1992	2,869,552	$29	$39,149	($33,618)	207	($1)
Net income for the period				244		
Addition to paid-in capital resulting from utilization of tax loss carryforward			126			
Warrants exercised	88	–				
Additional shares issued to Hallwood Holdings Incorporated resulting from exercise of warrants	9	–				
Balances, May 30, 1992	2,869,649	$29	$39,275	($33,374)	207	($1)

The accompanying notes are an integral part of these consolidated financial statements

HALLWOOD INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Thirteen Weeks Ended	
	May 30, 1992	June 1, 1991
Cash flows from operating activities:		
Income from continuing operations	$ 244	$ 213
Adjustments to reconcile income from continuing operations to net cash (used in) provided by operating activities:		
Depreciation	37	38
Addition to paid-in capital resulting from utilization of tax loss carryforwards	126	85
Other changes in operating assets and liabilities:		
Accounts receivable	(518)	(905)
Due from Hallwood Holdings Incorporated	(98)	-
Inventories	(1,358)	291
Accounts payable	1,201	861
Other	(129)	(72)
Net cash (used in) provided by operating activities of:		
Continuing operations	(495)	511
Discontinued operations	1	(135)
Net cash (used in) provided by operating activities	(494)	376
Cash flows from investing activities:		
Additions to property and equipment	(41)	(12)
Other	1	28
Net cash (used in) provided by investing activities	(40)	16
Cash flows from financing activities:		
Principal payments on long-term debt	(16)	(19)
Net cash used in financing activities.	(16)	(19)
Net (decrease) increase in cash and cash equivalents	(550)	373
Cash and cash equivalents at beginning of period	2,182	2,021
Cash and cash equivalents at end of period	$ 1,632	$ 2,394

The accompanying notes are an integral part of these consolidated financial statements.

HALLWOOD INDUSTRIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments made are of a normal recurring nature.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements for the fiscal year ended February 29, 1992, as filed in the Annual Report on Form 10-K.

2. Corporate Reorganization

On July 5, 1991, the stockholders of Hallwood Industries Incorporated ("Industries") approved the merger of Industries with a newly-formed Delaware corporation which was a subsidiary of Hallwood Holdings Incorporated ("Holdings"). In accordance with the Merger Agreement, the par value of Industries' common stock and preferred stock was reduced from $1.00 per share to $0.01 per share and the authorized number of shares of common stock was reduced from 25,000,000 to 5,000,000. Also, nine-tenths (9/10) of the shares of Industries' common stock was canceled in exchange for the issuance of a number of shares of Holdings' $0.01 par value common stock, equal to ten-ninths (10/9) times the number of shares of Industries' common stock canceled, and one-tenth (1/10) of Industries' common stock was retained by each stockholder. In order to avoid the inconvenience of having fractional shares outstanding, Industries issued a stock dividend of that number of shares of its common stock equal to nine times the number of shares owned by each stockholder upon the effectiveness of the Merger. Further, Industries issued to Holdings that number of shares of its common stock which constituted 10% of the total outstanding common stock of Industries. In June 1992, Industries' Board of Directors approved the issuance to Holdings of 2,295,642 shares of Industries' Series A Preferred Stock such that the aggregate fair market value of Industries' common stock and Series A Preferred Stock now owned by Holdings totals approximately 90% of the aggregate fair market value of all the issued and outstanding common and voting preferred stock of Industries.

Under the Merger Agreement, Industries is required to issue to Holdings, for a period of five years following the Merger, such additional number of shares of Series A Preferred Stock and/or common stock as shall be necessary, in accordance with periodic determinations to be made by an investment banking firm or other financial advisor designated by the Board of Directors, to make the aggregate fair market value of Industries' common stock owned by Holdings, together with the Series A Preferred Stock owned by Holdings, equal to approximately 90% of the fair market value of all the issued and outstanding common and voting preferred stock of Industries.

Since the Series A Preferred Stock was not issued to Holdings prior to May 30, 1992, the issuance of the voting preferred stock is reflected on a pro forma basis only.

The following tables present the unaudited pro forma consolidated condensed stockholders' equity portion of Industries' balance sheet at May 30, 1992, and the unaudited pro forma consolidated condensed statement of operations for the thirteen weeks ended May 30, 1992, and fiscal year ended February 29, 1992, reflecting the effects of the issuance of the Series A Preferred Stock by Industries to Holdings, assuming for balance sheet purposes that the Series A Preferred Stock was issued on May 30, 1992 and for purposes of the statements of operations, at the beginning of the fiscal year ended February 29, 1992.

The pro forma tables do not purport to represent what Industries' consolidated financial position or results of operations would actually have been if the Series A Preferred Stock issuance in fact had occurred on such dates or at the beginning of the periods indicated or to project Industries' consolidated financial position or results of operations for any future date or period.

The pro forma adjustments are based upon currently available information including the number and face amount of shares subsequently issued and related dividend terms which were determined (pursuant to an independent appraisal) by the Executive Committee of the Board of Directors.

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY

May 30, 1992

(Dollars in thousands except share and per share data)

(Unaudited)

	Historical	Adjustments	Pro Forma
Stockholders' Equity:			
Preferred stock	$ -	$ 23 (a)	$ 23
Common stock	29		29
Additional paid-in capital	39,375	(23) (a)	39,252
Deficit	(33,374)		(33,374)
Treasury stock	(1)		(1)
	$ 5,929	$ -	$ 5,929
Book value per share	$ 2.07		$ .21 (e)
Common shares outstanding	2,869,442		2,869,442

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE THIRTEEN WEEKS ENDED MAY 30, 1992

(Dollars in thousands except share and per share data)

(Unaudited)

	Historical	Adjustments	Pro Forma
Gross profit (including other income)	$ 1,680	$	$ 1,680
Operating, selling and administrative costs	1,280		1,280
Interest (income)	(8)		(8)
Income from continuing operations before income taxes	408		408
Income taxes	164		164
Income from continuing operations	244		244
Less preferred stock dividends	–	(244)(d)	(244)
Income from continuing operations available to common stockholders	$ 244	$ (244)	$ –
Income per share from continuing operations	$ 0.08		$ –
Weighted average number of common shares outstanding	3,126,722		3,126,722

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE FISCAL YEAR ENDED FEBRUARY 29, 1992

(Dollars in thousands except share and per share data)

(Unaudited)

	Historical	Adjustments	Pro Forma
Gross profit (including other income)	$ 5,683	$	$ 5,683
Operating, selling and administrative costs	5,294	(350)(b)	4,944
Provision for doubtful accounts	150		150
Interest (income)	(112)		(112)
Income from continuing operations before income taxes	351	350	701
Income taxes	148	119 (c)	267
Income from continuing operations	203	231	434
Less preferred stock dividends	–	(434)(d)	(434)
Income from continuing operations available to common stockholders	$ 203	$ (203)	$ –
Income per share from continuing operations	$ 0.07		$ –
Weighted average number of common shares outstanding	3,025,276		3,025,276

(a) Represents issuance of Series A Preferred Stock to Holdings such that the aggregate fair market value of Industries' common stock and Series A Preferred Stock owned by Holdings is equivalent to 90% of the fair market value of Industries. The issuance of preferred stock was calculated as follows:

Outstanding shares of common stock to pre-merger stockholders	2,582,597
Ownership interest of pre-merger Industries stockholders subsequent to the issuance of shares	10%
	25,825,970
Less common shares outstanding to:	
Pre-merger Industries stockholders	2,582,597
Holdings	286,955
Total preferred share interest	22,956,418
Voting interest per preferred share	10
Total preferred shares to be issued with a par value of $0.01	2,295,642

(b) Represents costs incurred in connection with the plan of Merger. Approximately $350,000 has been reflected in the statement of operations for fiscal 1992 and has been eliminated from the pro forma consolidated condensed statement of operations for the period since these costs are a non-recurring expense.

(c) Represents the income tax effect of the pro forma adjustment made to operating, selling and administrative costs.

(d) Represents preferred stock dividends to be issued to Holdings on an annual, cumulative basis. Such dividends were calculated assuming the issuance of $12,002,000 of Series A Preferred Stock with a dividend rate of 10%, limited to the extent of Industries' net income for the fiscal year.

(e) The book value per share at May 30, 1992 for Industries on a pro forma basis is presented net of the 90% equity of Industries owned by Holdings in order to demonstrate to the common stockholders of Industries their book value subsequent to the issuance of Industries' Series A Preferred Stock to Holdings.

Industries' equity on a pro forma basis	$ 5,929,000
Common stockholders' interest subsequent to issuance of preferred stock	10%
	592,900
Common shares outstanding	2,869,442
Book value per common share	$ .21

3. RAC Bankruptcy

As reported in Industries' Annual Report on Form 10-K for the fiscal year ended February 29, 1992, the Retail Acquisition Corporation Plan of Reorganization ("RAC Plan") was confirmed by the bankruptcy court on May 29, 1992.

The RAC Plan provides for Industries to be relieved of any further obligations relating to Industries' former retail division, which was sold to RAC in September 1990, except for payment on notes issued by Industries ("Industries' Notes") to certain contingent creditors of Industries pursuant to the RAC Plan.

The Industries' Notes, which are non-interest bearing, are payable in six equal annual installments beginning one year after the effective date of the RAC Plan. The Industries' Notes contain a prepayment provision based on performance criteria whereby if defined cash flow exceeds $900,000, $1,000,000 and $1,100,000 in fiscal 1995, 1996 and 1997, respectively, holders of Industries' Notes may tender a portion of the notes in the amount of the excess defined cash flow, but not to exceed approximately $400,000 per annum. For financial accounting purposes, any such prepayments have not been projected. The Industries' Notes have been discounted using an imputed interest rate of 7.5% and are included in the net obligation of the discontinued business segment together with legal fees related to the RAC matter and certain funds held in escrow for payment of professional fee administrative expenses related to the bankruptcy proceeding from which Industries' predecessor emerged in 1989.

4. Contingencies

Industries was named as a defendant in several in several lawsuits arising from the Heck's and RAC bankruptcies. All such actions have been settled under the terms of the Heck's and RAC Plans. Industries has been notified of a potential sales tax obligation related to the operations of Industries' predecessor and RAC. However, in the opinion of management, any resulted liability is not expected to have a material effect on Industries' financial condition. Management is unaware of any other significant contingencies.

5. Lines of Credit

Industries has a one-year line of credit which expires on July 21, 1992 in the amount of $1 million secured by a mortgage on Industries's real estate, and by a guarantee from The Hallwood Group Incorporated. The line carries an interest rate of 1 7/8% over LIBOR. Industries has entered into negotiations for a replacement line of credit.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's analysis of the significant factors that have influenced Industries' financial position and results of operations during the periods included in the accompanying financial statements.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Management believes that the corporate structure resulting from the merger, whereby Hallwood Industries Incorporated ("Industries") became a subsidiary of Hallwood Holdings Incorporated ("Holdings") will facilitate capital formation by Holdings because it will be insulated from the liabilities of Industries as well as the stigma of bankruptcy proceedings from which Industries' predecessor emerged in 1989. Moreover, the corporate structure will permit Holdings and Industries to file consolidated tax returns so that Holdings may utilize the tax benefits (including approximately $150 million of net operating loss carryforwards) attributable to Industries. Industries is a special, limited purpose subsidiary which will concentrate on its historical line of business, while future growth and expansion opportunities will be pursued by one or more subsidiaries of Holdings yet to be formed. Through Holdings' continuing ownership of Industries, primarily in the form of preferred stock, Holdings will retain the value of Industries, and will receive substantially all of the benefit of operations through dividends on the preferred stock. It is also believed that Holdings' ownership of Industries in this form will facilitate the preservation and utilization of the tax benefits.

Industries' financial condition has been unsettled for the past several years as a result of both the financial difficulties of Industries' predecessor company, Heck's Inc., which culminated in Heck's 1989 Chapter 11 reorganization, and the subsequent sale of its retail division (the "Retail Division") to a purchaser, Retail Acquisition Corp. ("RAC"), that defaulted on its purchase obligations thus requiring Industries to contribute to the settlement of the former Retail Division's debts. With the confirmation of RAC's plan of reorganization, however, management believes that Industries' financial condition has been stabilized and may be expected to improve in the future.

RAC Bankruptcy

The RAC Plan of Reorganization ("the RAC Plan") was confirmed by the bankruptcy court on May 29, 1992. The RAC Plan provides for Industries to be relieved of virtually all past and future claims relating to Industries' former Retail Division, except for payment obligations on the notes issued by Industries pursuant to the RAC Plan. Industries has been notified of a potential sales tax obligation related to the operations of Industries' predecessor and RAC. However, in the opinion of management, any resulted liability is not expected to have a material effect on Industries' financial condition.

The Industries' Notes are non-interest bearing and are payable in six equal annual installments beginning one year after the effective date of the RAC Plan. The Industries' Notes contain a prepayment provision based on performance criteria such that if defined cash flow exceeds $900,000, $1,000,000 and $1,100,000 in each of fiscal 1995, 1996 and 1997, respectively, holders of the Industries' Notes may tender a portion thereof in the amount of the excess defined cash flow, but not to exceed approximately $400,000 per annum.

Lines of Credit

In July 1991 Industries obtained a one-year line of credit which expires on July 21, 1992, in the amount of $1 million, secured by a mortgage on the Steel City building and by a guarantee from The Hallwood Group Incorporated. The line carries an interest rate of 1.875% over LIBOR. In June 1992, $250,000 was drawn against this line. Industries has entered into negotiations for a replacement line of credit.

Industries' working capital needs following the sale of the Retail Division have been substantially less than they were prior thereto. However, following RAC's bankruptcy filing in March 1991 and the resulting threat that creditors of the former retail division would seek to collect from Industries on their claims, credit extended by vendors to Steel City has in some cases been restricted. Management is optimistic that the confirmation of the RAC Plan in May 1992 will facilitate a return to normal vendor credit and will enable Industries to renew its existing credit line upon its expiration in July 1992, or obtain a replacement line.

Tax Loss Carryforwards

At December 31, 1991, Industries had net operating loss carryforwards (adjusted for debt forgiveness arising upon the consummation of the Heck's 1989 Plan of Reorganization) (the "Tax Benefits") of approximately $150 million, which expire in the years 2001 through 2005. The issuance of common stock to pre-petition creditors under the Heck's Plan of Reorganization resulted in a change of control, as defined in the applicable IRS regulations, exceeding 50%. A further change in control exceeding 50% may lead to the loss of the majority of the net operating loss carryforwards. In order to reduce the likelihood of such a further change of control occurring, Holdings' and Industries' Certificates of Incorporation include restrictions on the registration of transfers of stock resulting in, or increasing, individual holdings exceeding 4.5% of each Company's common stock.

Since the regulations governing the foregoing tax matters are highly complex, and Holdings' and Industries' attempts to reduce the likelihood of a further change of control occurring may not be successful, management is unable to determine the likelihood of the continued availability of the Tax Benefits, but intends to take all appropriate steps to help ensure that they remain available. Should the Tax Benefits become unavailable to Holdings or Industries, future income of Industries and any consolidated affiliate would not be shielded from taxation thus reducing funds available for corporate purposes.

The operations of Steel City, while historically profitable, do not at present enable Industries to take full advantage of its net operating loss carryforwards. Management has been exploring growth and acquisition opportunities, both in the distribution industry and in other fields, in order to increase its profit base. However, there can be no assurance that such opportunities will arise or that future acquisitions, if any, will be profitable.

RESULTS OF OPERATIONS

Continuing operations: Wholesale Division

Continuing operations include the results of Steel City Products ("Steel City"), a distributor of automotive parts and accessories based in Pittsburgh, Pennsylvania, which is currently operated by Harris & Frank, Inc., a wholly owned subsidiary of Industries.

Thirteen weeks ended May 30, 1992 compared with thirteen weeks ended June 1, 1991

Consolidated revenues increased by $41,000 in the first quarter as compared with the first quarter last year. Although sales have remained essentially level with last year, the customer base has fluctuated significantly. Sales to new customers, along with increased sales in new markets exceeded $1.2 million in the current year first quarter. Other general increases have been achieved as a result of improved customer confidence in the current retail climate. However, these sales gains were largely offset by decreases in shipments to other customers, including Steel City's largest customer which has closed a number of stores, along with one other major customer whose account was lost completely. These decreases totalled approximately $1.1 million.

Gross margin and the gross margin percentage for the first quarter of the current year was $1.7 million (18.4%) compared with $1.8 million (20.1%) in the prior year, a decrease of $140,000 or 1.7% percentage points. The margin was affected by several factors, including the change in customer mix described above along with increased competitive pressures resulting from closing down sales by two competitors. Business with certain new customers has been at slightly reduced margins, although there are lower operating and selling costs associated with this business.

Operating, selling and administrative expenses were $1.3 million compared with $1.5 million last year. Expenses for Steel City have remained essentially constant with last year, while corporate expenses have decreased by approximately $210,000 for the quarter compared with first quarter last year. This decrease was principally attributable to a $170,000 non-recurring expense last year related to the formation of Hallwood Holdings Incorporated, combined with reduced salaries and other expenses.

Net interest income decreased approximately $16,000 when compared with the prior year principally due to lower rates of interest being earned on lower average invested funds.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On March 20, 1991, Industries, together with two other creditors of RAC, filed an involuntary petition in the United States Bankruptcy Court for the Southern District of West Virginia entitled In Re: Retail Acquisition Corp. ("RAC") seeking to place RAC in Chapter 7 proceedings. On April 9, 1991 RAC consented to the entry of an order for relief in response to the involuntary bankruptcy petition and moved to convert the case to a case under Chapter 11 of the U.S. Bankruptcy Code. Thereafter, several creditors of RAC brought actions against Industries seeking payment. However, on January 10, 1992, the bankruptcy court extended the bankruptcy stay to Industries' contingent creditors thus preventing them from seeking recovery of their claims, pending voting on the RAC Plan of Reorganization ("RAC Plan").

The RAC Plan was confirmed by the bankruptcy court on May 29, 1992 following an overwhelming vote by creditors.

In September 1991, State Street Bank and Trust Company and James A. Quale commenced legal action against Industries and HPI, Inc. as trustees under a July 1, 1978 mortgage and deed of trust for holders of Heck's Properties, Inc.'s, (now known as HPI, Inc.) 8.625% Secured Notes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HALLWOOD INDUSTRIES INCORPORATED

Date: July 13, 1992

By: ________________________

Maarten D. Hemsley
President, Chief Executive Officer
and Chief Financial Officer

[redacted]

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

PROCESSED BY
14-14-X
MAR 24 199

OR

[ ] TRANSITION REPORT PURSUANT TO SECTIO
OF THE SECURITIES EXCHANGE ACT OF

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
0 1992
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For the transition period from ______ to

Commission file number 0-17430

BEST COPY AVAILABLE

GLOBAL ENVIRONMENTAL CORP.

(Exact name of registrant as specified in its charter)

S92-2234

New York	13-3431486
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Drawer C, 5189 Stump Road Plumsteadville, PA	18949
(Address of principal executive offices)	(Zip Code)

(215) 766-2730

(Registrant's telephone number, including area code)

Not Applicable

(Former name and address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding at January 31, 1992
$.0001 par value	2,306,295

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

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GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

ASSETS

	January 31, 1992	October 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 937,825	$ 998,113
Accounts receivable, less allowance for doubtful accounts of $66,863 and $52,192 respectively	1,403,899	2,036,981
Inventories	1,192,533	909,991
Costs and estimated earnings in excess of billings on uncompleted contracts	153,853	22,801
Prepaid expenses and other	180,778	88,794
Total current assets	$ 3,868,888	$ 4,056,680
PROPERTY, PLANT AND EQUIPMENT, at cost		
Land	150,797	150,797
Building and improvements	1,822,325	1,822,325
Equipment	2,032,580	1,968,981
	4,005,702	3,942,103
Less - Accumulated depreciation and amortization	<1,881,087>	<1,819,030>
Total property, plant and equipment, net	2,124,615	2,123,073
OTHER ASSETS:		
Favorable lease terms, net of amortization of $107,917 and $99,167 respectively	67,083	75,833
Covenant not-to-compete, net of amortization of $123,333 and $113,333 respectively	76,667	86,667
Goodwill, net of amortization of $13,313 and $11,994 respectively	92,133	93,452
Other	333,274	314,013
Total other assets	569,157	569,965
Total Assets	$ 6,562,660	$ 6,749,718

The accompanying notes are an integral part of these consolidated balance sheets

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	January 31, 1992	October 31, 1991
CURRENT LIABILITIES:		
Revolving loan agreement	$ 591,790	$ 512,083
Current portion of long-term debt	131,067	131,067
Accounts payable	660,963	793,788
Billings in excess of costs and estimated earnings on uncompleted contracts	277,495	222,868
Accrued salaries and wages	158,305	130,641
Accrued expenses, other	380,950	395,333
Total current liabilities	2,200,570	2,185,780
LONG-TERM DEBT, less current portion	2,500,752	2,535,863
Total liabilities	4,701,322	4,721,643
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value $.0001 per share 20,000,000 shares authorized, 2,401,874 shares issued.	240	240
Preferred stock, no par; 5,000,000 shares authorized in 1991 no shares issued	---	---
Additional paid-in capital	1,844,979	1,844,979
Retained earnings	16,119	182,856
Less: Treasury stock, 97,579 shares at cost	---	---
Total stockholders' equity	1,861,338	2,028,075
Total Liabilities and Stockholders' Equity	$ 6,562,660	$ 6,749,718

The accompanying notes are an integral part of these consolidated balance sheets.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended January 31	
	1992	1991
NET SALES	$2,134,774	$3,996,426
COST OF GOODS SOLD	1,712,097	3,198,437
Gross profit	422,677	797,989
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	610,066	683,047
Income <loss> from operations	<187,389>	114,942
INTEREST EXPENSE	61,646	80,480
Income <loss> before income taxes	<249,035>	34,462
PROVISION FOR INCOME TAXES <BENEFIT>	<82,300>	14,300
NET INCOME <LOSS>	$ <166,735>	$ 20,162
Net income <loss> per share	$ < .07>	$ .01
Weighted average shares outstanding	2,444,073	2,326,874

The accompanying notes are an
integral part of these consolidated statements.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended January 31,	
	1992	1991
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income <loss>	$ <166,735>	$ 20,162
Adjustments to reconcile net income <loss> to net cash provided by operating activities - Depreciation and amortization	92,546	83,858
Net (increase) decrease in noncash current assets:		
Accounts receivable	633,082	372,254
Inventories	<282,542>	<115,034>
Costs and estimated earnings in excess of billings on uncompleted contracts	<131,052>	< 6,294>
Prepaid expenses and other	< 91,986>	110,991
Net increase (decrease) in nondebt current liabilities:		
Accounts payable and accrued contract costs	< 85,825>	< 58,485>
Billings on uncompleted contracts in excess of costs & estimated earnings	54,627	142,464
Accrued salaries and wages	27,664	< 10,910>
Accrued expenses	< 14,383>	2,384
<Increase> decrease in other assets	< 29,661>	3,703
Net cash provided by operating activities	5,715	545,093
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	< 63,599>	< 39,050>
Net cash used in investing activities	< 63,599>	< 39,050>

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

	Three Months Ended January 31,	
	1992	1991
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowings <repayments> under revolving loan agreement	32,707	<450,759>
Repayments of long-term debt	< 35,111>	< 81,596>
Proceeds from the issuance of long-term debt	0	24,082
Net cash used in financing activities	< 2,404>	<508,273>
NET CHANGE IN CASH	< 60,288>	< 2,230>
CASH, beginning of period	998,113	123,979
CASH, end of period	$ 937,825	$ 121,749

The accompanying notes are an
integral part of these consolidated statements.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 1992 AND 1991

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The unaudited interim consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the financial statements and related notes included in the Company's Form 10-K for the year ended October 31, 1991. Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. The results of operations for the 3 months ended January 31, 1992 are not necessarily indicative of results to be expected for the full year.

The corporate structure consists of five companies including Global Environmental Corp. (Global) the parent corporation. The subsidiaries include Global Environmental Holdings, Inc. (Global Holdings), Danzer Metal Works Company, Inc. (Danzer), Texcon Inc. (Texcon), and Rage, Inc. (Rage). Danzer, Rage and Texcon are wholly owned subsidiaries of Global Holdings.

Revenue Recognition

Danzer is principally engaged in the design, manufacture and installation of sheet metal products and fabrications. Products are normally produced based upon specifications received from customers. Revenues are recognized when products are shipped to the customer. Rage is an engineering firm engaged primarily in the design and assembly of conveying systems for the handling of bulk materials for industry. Revenues are recognized utilizing the percentage of completion "cost-to-cost" method of accounting for its contracts. Texcon is engaged in engineering, design and maintenance of environmental systems as well as providing on-site environmental monitoring and measurement of particulates, fumes and vapors. Texcon utilizes the percentage of completion "cost-to-cost" method of accounting for its systems contracts.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Included in inventory is work-in-process of $594,673 at January 31, 1992 and $322,699 at October 31, 1991.

Property, Plant and Equipment

Property, plant and equipment is depreciated on the straight-line method over the following estimated useful lives:

Building and improvements	10 to 30 years
Equipment	5 to 20 years

Cash Equivalents

Cash equivalents consist of unsecured money market instruments and U.S. Treasury Bonds stated at cost, which approximates market.

2. LONG TERM DEBT:

On April 25, 1991, the Company closed a financing agreement with Renaissance Capital Group, Inc. (Renaissance) whereby Global issued to Renaissance a 12-1/2% convertible debenture (convertible into common stock) with a face value of $1,250,000. Principal payments under the debenture begin July 1, 1994 at a rate of $40,000 per quarter. The debenture requires quarterly payments of interest and matures on March 31, 1998. The debenture is convertible at any time and Renaissance can redeem the debenture on a declining premium basis as the debenture nears maturity. The conversion price of $.90 per share is equivalent to approximately 1,389,000 common shares and carries certain anti-dilution provisions. The debenture is callable until March 31, 1994.

3. COMMITMENTS AND CONTINGENCIES:

Subsidiaries of Global have entered into leases for various equipment and facilities. Future minimum lease payments under these agreements are as follows for the years ended October 31:

1992	66,397
1993	73,831
1994	15,991
1995	2,156
1996	0
	$158,375

4. COMMON STOCK:

Global's initial public offering consisted of 400,000 stock and warrant units. At January 31, 1992, each unit consisted of one common share and three Class B redeemable common stock purchase warrants. Each Class B warrant entitled the holder to purchase one share of common stock at the price of $5.00 per share. The warrants were redeemable by Global on thirty days notice at a price of $.001 per warrant. The Class B warrants expired February 28, 1992. At January 31, 1992, there were approximately 1,199,500 Class B warrants outstanding and exercisable.

All references in the accompanying consolidated financial statements and related notes with respect to common stock, warrants and per share amounts have been retroactively adjusted for a 100 to 1 reverse stock split on October 24, 1989.

Under the Company's stock option plan, 800,000 shares of the Company's common stock were reserved for issuance pursuant to the plan. As of January 31, 1992, 11 employees and directors have received options issued under the plan representing a total of 760,000 shares.

5. EARNINGS PER SHARE:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents (dilutive effect of warrants and stock options outstanding) outstanding during the period.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION:

Sales volume for the first quarter of fiscal 1992 decreased (approximately $1,862,000) over the fiscal 1991 first quarter (comparable quarter) due to the continued recession in the U.S. economy. The declines in sales volume were experienced by all lines of business. Global's manufacturing operations experienced a decline from the comparable period of approximately $769,000 and the material handling business experienced decline of approximately $890,000 over the comparable quarter. Costs of goods sold as a percentage of net sales increased slightly (80.0% to 80.2%) due to increased competitive pressures in the marketplace. Selling, General and Administrative costs declined approximately $73,000 over the comparable quarter due to various cost reduction activities as well as the reduced sales volume. Selling, General and Administrative costs as a percentage of net sales increased however, (28.6% vs. 17.2%) largely due to the decline in net sales. The decline in interest expense of approximately $19,000 was due to declining interest rates. The Company has recorded a Federal Income Tax benefit due to the current quarter loss. The Federal Income Tax benefit is generated by the carry-back of the loss in the first quarter of fiscal 1992 to earlier tax periods. The Company's remaining benefit from a loss carryback is not significant.

The consolidated bookings level continues to be light as many capital improvement projects continue to be delayed due to the current recession. Consolidated backlog at January 31, 1992 was approximately $1,814,000 vs. approximately $5,207,000 at January 31, 1991. Although, the current backlog level is lower than Global's historical average, the January 31, 1991 backlog was higher than previous historical levels due to several large bulk material handling projects for which orders were received just prior to October 31, 1990. If bookings levels remain light, sales volume will remain at or below the current levels. However, due to the unpredictable nature and timing of large projects on which the Company has and is continuing to bid, it is extremely difficult to predict future bookings or sales volume. The Company does have a significant amount of projects bid, some of which it expects will be purchased during fiscal 1992; however, no assurance can be given as to the timing or probability of these events. Quotation volume continues to be active, however, no assurance can be given that this will lead to increased bookings levels.

During the first quarter of fiscal 1992, it became evident that there would not be an immediate upturn in the U.S. economy. As a result, management determined to further reduce its overhead costs. Management feels these steps were necessary in light of the reduced bookings volume. The Company is anticipating Selling, General and Administrative expenses to continue to decline in the second quarter of fiscal 1992. Global is attempting to minimize its operating costs in light of the current U.S. economic recession, however, while remaining responsive to customer requests and opportunities. Continued weak economic conditions make it probable that the Company will experience a loss in the second quarter of fiscal 1992.

Liquidity and Capital Resources

The decline in bookings during the third and fourth quarters of fiscal 1991 caused Accounts Receivable to decline from their levels at October 31, 1991. Inventories increased during the first quarter of fiscal 1992, approximately $283,000 primarily attributable to increases in finished goods inventories. The Company's working capital ratio declined in the first quarter fiscal 1992 (1.76:1 vs. 1.86:1) primarily due to the funding of the first quarter of fiscal 1992 operating loss. Cash flow generated by operating activities was small due to the utilization of cash collected from receivables to fund work in progress and the operating losses.

The revolving loan facility is collateralized by Accounts Receivable and is renewed annually at the Corporation's fiscal year end. Availability under the revolving loan is based upon eligible Accounts Receivable less prior advances. On average, during the first quarter of fiscal 1992, Global had borrowed approximately 26% of its $2,000,000 revolving loan and had utilized approximately 42% of its availability under its revolving loan credit facility. Availability before advances during the first quarter of fiscal 1992 averaged approximately $522,000. The level of earnings reported year-to-date is insufficient to meet one of Global's loan covenants applicable to the Company's revolving and certain term loans. The lender has not taken any affirmative action with respect to this event. Management has obtained a waiver for a similar event in the past and it is anticipated that management will attempt to obtain a similar waiver in the future as required.

Global continues to explore and consider where appropriate, private and public offerings of its securities, the availability of acquisition related financing in private markets and possibly a refinancing of existing debt as additional sources of funds for its operations growth and expansion. Presently, Global's existing funds, bank credit facilities, and cash flow from operations, continue to be Global's major source of funds and should be adequate for the foreseeable future.

Corporate Matters

The Company's annual stockholders' meeting is scheduled for:

May 22, 1992
10:00 a.m.

at the Company's offices in Plumsteadville, PA.

GLOBAL ENVIRONMENTAL CORP. AND SUBSIDIARY

PART II - OTHER INFORMATION

Item 6

(a) Exhibits

None

(b) Reports on Form 8-K

None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Global Environmental Corp.

By: ------------------------------
(Signature)

Ward G Schultz

Chief Financial Officer

and Authorized Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

X *Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1991

m 3/19

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
from the transition period from ____ to ____

Commission File Number 0-9987

K92.2234

GLOBUS GROWTH GROUP, INC.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-2949462 (I.R.S. Employer Identification No.)
44 West 24th Street, New York, NY (Address of principal executive offices)	10010 (zip code)

(212) 243-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as the latest practicable date: 2,499,000 (including 101,190 held in treasury)

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CONDENSED FINANCIAL STATEMENTS

GLOBUS GROWTH GROUP, INC.
44 West 24th Street
New York, New York 10010

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Statement of Cash Flows	4
Notes to Condensed Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	8

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

GLOBUS GROWTH GROUP, INC.

CONDENSED BALANCE SHEETS

ASSETS

	November 30, 1991	February 28, 1991
	(Unaudited)	(See Note 1)
Cash	$7,257	$1,634
Investments in Securities (Note 2)	$1,126,924	$1,146,036
Furniture, fixtures, and office equipment (at cost, net of accumulated depreciation & amortization)	$6,832	$8,292
Other Assets	($825)	$6,784
TOTAL	$1,140,188	$1,162,746

(See Accompanying Notes to Financial Statements)

GLOBUS GROWTH GROUP, INC.

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 1991	February 28, 1991
	(Unaudited)	(See Note 1)
Liabilities		
Accounts payable and accrued expenses	$690,032	$359,325
Loans payable to officers/shareholders	$585,303	$554,596
Due to/(from) Broker	($74)	$142,179
Total Liabilities	$1,275,261	$1,056,100
Stockholders' equity (Note 3)		
Preferred stock - $.10 par value		
Authorized -450,000 shares		
None issued		
Series B convertible preferred stock - $.10 par value		
Authorized - 50,000 shares		
None issued		
Common stock - $.01 par value	24,990	24,990
Authorized - 4,500,000 shares		
Issued: 2,499,000 Shares at 11/30/91		
Additional paid in capital	$2,747,110	$2,747,110
Treasury Stock, 101,190 shares at 11/30/91	($34,107)	($34,107)
Accumulated earnings (deficit)	($2,873,066)	($2,631,347)
Total stockholders' equity	($135,073)	$106,646
Total	$1,140,188	$1,162,746

(See Accompanying Notes to Financial Statements)

GLOBUS GROWTH GROUP, INC.

STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	1991	1990	1991	1990
Gain (loss) on investments:				
Realized	$0	$0	$0	$0
Unrealized	($52,775)	($39,727)	($86,113)	($129,649)
Total	($52,775)	($39,727)	($86,113)	($129,649)
Interest Income	$0	$97	$1,101	$124
Consulting and other income	$15,203	$10,425	$25,903	$23,397
TOTAL	($37,572)	($29,205)	($59,109)	($106,128)
Expenses:				
General and administrative	$61,557	$48,352	$166,845	$155,772
Interest	$5,006	$8,699	$15,765	$24,935
TOTAL	$66,563	$57,051	$182,610	$180,707
Income (loss) from operations before taxes	($104,135)	($86,256)	($241,719)	($286,835)
Benefit/(Provision) for taxes	$0	$0	$0	$0
Net earnings (loss)	($104,135)	($86,256)	($241,719)	($286,835)
Net (Loss) per share of common stock	($0.04)	($0.04)	($0.10)	($0.12)
Weighted Average Number of shares of Stock Outstanding	2,397,810	2,397,810	2,397,810	2,398,004

(See Accompanying Notes to Financial Statements)

GLOBUS GROWTH GROUP, INC.

STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended November 30,	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss)	($241,719)	($286,835)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	$1,460	$1,312
Receipt of stock for services rendered	($4,500)	
Unrealized loss (gain) on investments	$86,112	$129,648
Change in assets and liabilities:		
Increase in accounts payable and accrued expenses	$330,707	$49,489
Decrease in prepaid assets	$7,609	$12,774
Net cash (used in) operating activities	$179,669	($93,612)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	($62,500)	$0
Net cash (used in) investing activities	($62,500)	$0
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Treasury Stock	$0	($511)
Increase (repayment) of Debt	($142,253)	$31,329
Increase in loans payable to officers/shareholders	$30,707	$65,274
Proceeds from issuance of stock	$0	$0
Net cash provided by financing activities	($111,546)	$96,092
Net increase (decrease) in cash	$5,623	$2,480
Cash - beginning of period	$1,634	$1,818
Cash - end of period	$7,257	$4,298
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$0	$0
Income Taxes	$830	$882

(See Accompanying Notes to Financial Statements)

Note 1 - Basis of Condensed Information

In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position as of November 30, 1991, the results of operations for the three and nine months ended November 30, 1991, and 1990, and statement of cash flows for the three and nine months months ended November 30, 1991, and 1990.

The results of operations for the nine months ended November 30, 1991, are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report filed on Form 10-K for the year ended February 28, 1991.

The balance sheet at February 28, 1991 has been derived from the Company's audited balance sheet included in its Annual Report on Form 10-K.

Note 2 - Investments

As of February 28, 1991 and November 30, 1991, investments are carried at value, which, for readily marketable securities represents the last reported sales price or bid price. Investments in restricted securities and securities which are not readily marketable are carried at fair value determined by the Board of Directors.

(continued on next page)

Note 2 - (continued)

	November 30, 1991			February 28, 1991	
	No. Shares	Value	Cost	No. Shares	Valu
Common Stock					
Catamount Brewing Co.	17,652	$126,115	$126,115	17,652	$121,
Integrated Images Inc.	848,838	$4,244	$66,227	848,838	$4,
Interface Systems Inc.	52,775	$164,922	$489,368	52,775	$204,
Globus Studios, Inc.	144,850	$7,243	$0	144,850	$7,
Citipostal, Inc.	167,500	$0	$34,922	167,500	
American Screen Co.	4,666	$292	$13,248	4,666	$
Maxon Industry	13,000	$0	$26,088	13,000	
Energy Research, Inc.	100,000	$400,000	$12	100,000	$400,
Plasmaco, Inc. - Series A Preferred	84,177	$164,199	$250,000	84,177	$250,
Plasmaco, Inc. - Common	81,978	$159,909	$159,909	19,478	$57,
Total Common Stock		$1,026,924	$1,165,889		$1,046,
Convertible Securities					
Energy Research, Inc.					
Series "A" convertible preferred stock	10,000	$100,000	$100,000	10,000	$100,
Citipostal, Inc.					
10% Convertible Note Due 4/93		$0	$100,000		
Total Convertible Securities		$100,000	$200,000		$100,
Total Investments - Fair value		$1,126,924	$1,365,889		$1,146

vember 30, 1991 (Unaudited)

	Cost
515	$121,615
244	$66,227
503	$489,368
243	$0
$0	$34,922
583	$13,248
$0	$26,088
000	$12
000	$250,000
848	$97,409
036	$1,098,889
000	$100,000
$0	$100,000
000	$200,000
036	$1,298,889

Note 3 - Stockholders' Equity

Per share data are based on the weighted average number of common shares outstanding during the period. Common equivalent shares (options and warrants) would be anti-dilutive and are therefore excluded from the calculations.

Note 4 - Recent Events

None

Management's Discussion and Analysis of Financial Condition and Results of Operations

Three and Nine Months Ended November 30, 1991
Compared to
Three and Nine Months Ended November 30, 1990

Analysis of Results of Operations

The Company's principal business activities consist of the holding of interests in various companies, the rendition of consulting services to investee companies as requested, and the seeking out of acquisition and joint venture opportunities in various fields of business endeavor. The Company has filed with the Securities and Exchange Commission a notification of election to be treated as a "Business Development Company" as that term is defined in the Investment Company Act of 1940.

At November 30, 1991, the Company had total assets of $1,140,188 compared to total assets of $1,162,746 as at February 28, 1991. Included in total assets at such dates were investments in securities of $1,126,924 for the period ended November 30, 1991 and $1,146,036 for the year ended February 28, 1991. Shareholders equity at such dates was ($135,073) for the period ended on November 30, 1991 and $106,646 for the year ended February 28, 1991. Loss on investments for such periods amount to ($86,113) for the period ended on November 30, 1991 as compared to a loss of ($129,649) for the period ended on November 30, 1990. Included in such losses were ($86,113) of unrealized losses and no realized gain or loss for the period ending November 30, 1991 compared to ($129,649) of unrealized losses and no realized gain or loss for the period ended November 30, 1990. Income (loss) from operations was ($241,719) for the period ending November 30, 1991 compared to loss of ($286,835) for the period ending November 30, 1990. Net earnings (loss) per share were ($.10) for the period ending November 30, 1991 compared to a loss of ($.12) for the similar period ending November 30, 1990.

Analysis of Financial Condition

The Company's liquidity position has been eroded because of adverse factors pertaining to certain investments. Reference is made to "Management's Discussion and Analysis of Financial Condition" and "Results of Operations" in the Company's Form 10-K for the period ended February 28, 1991. The near term liquidity of the Company, as well as its near term capital resources position, are presently principally dependent upon the market value and marketability of its investment in Interface Systems, Inc. and upon the continued willingness, as to which there can be no assurance whatsoever, of the members of the Globus family (chiefly Stephen E. Globus) to continue to make loans to the Company. Thus loans payable to the Globus family members increased from $554,596 at February 28, 1991 to $585,303 for the period ending November 30, 1991. While the possibility of loans from, or other financing arrangements with, non affiliated sources August be explored, there can be no assurance that additional funding can be obtained from such sources, or that if obtainable, it would be on favorable terms. There are presently no known events that can be considered reasonably certain to occur which would materially change favorably either the long term liquidity or capital resources position of the Company from that in which it presently finds itself. The present liquidity and capital resources position of the Company will necessarily adversely affect its ability to make new investments. In such connection it must be noted that the profitability of a BDC like the Company is largely dependent upon its ability to make investments and upon increase in the value of its investments. It must also be noted that a BDC is also subject to a number of risks which are not generally present in an operating company, such risk are more fully discussed in the Company's 10-K Item 1. The effect of such risk upon the future liquidity and success of the company cannot be predicted. The "going private" plan discussed in the Company's 10-K for year ended February 28, 1991 is still being considered.

Item 6. Exhibits and Reports on Form 8K.

(b) Reports on Form 8K.

No reports on Form 8K have been filed during the quarter which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 25, 1992

GLOBUS GROWTH GROUP, INC.
(Registrant)

STEPHEN E. GLOBUS
(Stephen E Globus, Chairman)

LISA M. VISLOCKY
(Lisa M.Vislocky, Chief Financial Officer)

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Q-34958

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LG2-2234

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GEI GRAYHOUND ELECTRONICS, INC.
(not affiliated with The Greyhound Corp.)
Rt. 37 & Germania Station Road • P.O. Box 1697 • Toms River, NJ
Telephone (908) 341-5200 • FAX (908) 341-6560

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992 or

BEST COPY AVAILABLE

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

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For quarter ended ________ May 31,1992 ________________

Commission file number __________ 0-17083 _

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Grayhound Electronics, Inc.
(Exact name of registrant as specified in its charter)

L30

Delaware	22-2432-000
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Route 37 and Germania Station Rd., Toms River, NJ 08755
(Address or principal executive offices)

______________(908-341-5200)______________
(Registrant's telephone number, including area code)

____
(Former name, former address and formal fiscal year, if changed since last report)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No_____

Indicate the number of shares outstanding of each of the issuer's classed of common stock, as of the latest practicable date.

Class	No. of Shares Outstanding on May 31, 1992
Common Stock, par value $.001 per share	10,510,716

Grayhound Electronics, Inc.

INDEX TO FORM 10-Q

QUARTER ENDED MAY 31, 1992

Page No. 1

PART I. Financial Information (Unaudited)

Item 1. Financial Statements

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Consolidation Statements of Income for the Six Months Ended May 31, 1992 and May 31, 1991 Pg. 3

Consolidation Statements of Cash Flows for the Six Months Ended May 31, 1992 and May 31, 1991 Pg. 4

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Pg. 7 Pg. 8

PART II. Other Information

Item 1. Legal Proceedings Pg. 9

Item 5. Other Information Pg.10

Item 6. Exhibits and Reports on Form 8-K Pg.11

Signatures Pg.12

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEET

	MAY 31, 1992 (UNAUDITED)	NOV. 30, 1991
ASSETS		
CURRENT ASSETS		
CASH	$ 80,627	$ 123,203
ACCOUNTS RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $132,420 AND $98,000 RESPECTIVELY	1,377,457	1,406,492
INVENTORY	1,008,000	958,000
NOTE RECEIVABLE, CURRENT	100,000	100,000
INCOME TAXES RECEIVABLE	0	73,000
OTHER CURRENT ASSETS	23,535	15,000
TOTAL	$ 2,589,619	$ 2,675,695
PROPERTY & EQUIPMENT, NET	118,439	125,239
NOTE RECEIVABLE	350,000	400,000
OTHER ASSETS	58,965	24,715
	$ 3,117,023	$ 3,225,649

LIABILITIES & SHAREHOLDERS EQUITY

	MAY 31, 1992 (UNAUDITED)	NOV. 30, 1991
CURRENT LIABILITIES		
CURRENT MATURITIES L/T DEBT	$ 582,523	$ 575,816
ACCOUNTS PAYABLE	695,842	617,983
INCOME TAXES PAYABLE	115,800	70,800
ACCRUED EXP. & OTHER LIAB.	426,261	545,614
TOTAL	$ 1,820,426	$ 1,810,213
LONG TERM DEBT	1,145,455	1,381,047
SHAREHOLDERS EQUITY		
PREFRD. STK, PAR VAL $.01/SH	10,000	10,000
COMMON STK, PAR VAL $.001/SH	10,501	10,501
ADDITIONAL PAID IN CAPITAL	21,275	21,275
RETAINED EARNINGS	109,366	(7,387)
TOTAL SHAREHOLDER EQUITY	$ 151,142	$ 34,389
	$ 3,117,023	3,225,649

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED MAY 31, 1992
(UNAUDITED)

	1992	1991
REVENUES	$ 2,715,186	$ 4,354,531
COST OF SALES	1,905,542	3,086,652
GROSS PROFIT	809,644	1,267,879
COST AND EXPENSES		
SELLING, GENERAL & ADMIN.	511,312	872,593
RESEARCH & DEVELOPMENT	58,936	67,567
TOTAL COST & EXPENSES	570,248	940,160
INCOME FROM OPERATIONS	239,396	327,719
INTEREST & DIVIDEND INCOME	3,394	549
INTEREST EXPENSE	(74,348)	(124,325)
INCOME BEFORE TAXES	168,442	203,943
PROVISION FOR TAXES	(51,689)	(82,000)
NET INCOME	$ 116,753	$ 121,943
NET INCOME PER SHARE	$ .01	$ .01
WEIGHT AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	10,510,716	10,510,716

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED
MAY 31, 1992 AND 1991
(UNAUDITED)

	MAY 31, 1992	MAY 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$116,752	$121,943
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECATION AND AMORTIZATION	6,800	22,000
CHANGES IN ASSETS AND LIABILITIES:		
ACCOUNTS RECEIVABLE, NET	29,035	304,413
TAX REFUND RECEIVABLE	$73,000	
OTHER CURRENT ASSETS	(8,535)	139,134
INVENTORY	(50,000)	100,000
OTHER ASSETS	(34,250)	(18,444)
ACCOUNTS PAYABLE	77,859	(321,855)
INCOME TAXES PAYABLE	45,000	151,562
ACCRUED EXPENSES & OTHER LIAB.	(119,353)	(33,049)
NET CASH PROVIDED BY OPERATING ACTIVITIES	136,308	465,704
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:		
NOTE RECEIVABLE, LONG TERM PORTION	50,000	0
REPAYMENT OF LONG TERM BORROWINGS	(228,885)	(366,815)
NET INCREASE (DECREASE) IN CASH	($42,577)	$98,889
CASH, BEGINNING OF YEAR	123,203	179,535
CASH, END OF THIS PERIOD	$80,626	$278,424

SUPPLEMENTAL DISCLOSURES		
CASH PAID DURING THE PERIOD FOR:		
INTEREST	$74,349	$124,325
INCOME TAXES	5,000	5,000

GRAYHOUND ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTER ENDED MAY 31
(UNAUDITED)

	1992	1991
REVENUES	$ 1,367,393	$ 2,053,943
COST OF SALES	1,005,527	1,466,869
GROSS PROFIT	361,866	587,074
COST AND EXPENSES		
SELLING, GENERAL & ADMIN.	200,110	518,135
RESEARCH & DEVELOPMENT	29,842	30,849
TOTAL COST & EXPENSES	229,952	548,984
INCOME FROM OPERATIONS	131,914	38,090
INTEREST & DIVIDEND INCOME	801	549
INTEREST EXPENSE	(35,546)	(56,889)
INCOME (LOSS) BEFORE TAXES	97,169	(18,250)
PROVISION FOR TAXES	(31,664)	7,000
NET INCOME (LOSS)	$ 65,505	$ (11,250)
NET INCOME (LOSS) PER SHARE	$ .01	$ .00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	$10,510,716	$10,510,716

Grayhound Electronics, Inc.

Notes to Consolidated Financial Statements

(1) Basis of Presentation:

The unaudited financial statements of Grayhound Electronics, Inc. as of May 31, 1992 reflect all adjustments which, in the opinion of management, are necessary for a fair statement of results for the interim periods. Certain information and footnotes disclosures required under generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended November 30, 1991, included on Form 10-K.

(2) Net Income Per Common Share:

Net income per common share is based upon the weighted average number of shares outstanding during the period adjusted for dividends payable on preferred stock. Common stock equivalents, at May 31, 1991 and 1992, represented by convertible preferred stock, were not included in the computation of average shares outstanding since their inclusion would have been anti-dilutive.

(3) Inventory:

Inventories, which consist primarily of purchased components, are stated at the lower cost (first-in, first-out) or market.

(4) Affiliates:

This category included amounts due from entities that were owned by officers of Grayhound. These officers resigned, effective November 30,1991, and their voting rights have been restricted. Since they no longer exercise voting rights, contribute to the daily operations or participate in management decisions, the entities they control are no longer considered affiliates.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At May 31, 1992, the Company had working capital of $769,200 as compared to $865,000 at November 30, 1991. Although there was not a significant change in the net working capital position, the Company did reduce its current liabilities in proportion to its current assets, thereby increasing its working capital ratio.

The Company was successful in its concentrated efforts to reduce accounts payable and term bank debt. Through the use of cash generated from operations.

The Company does not have any significant contractual capital commitments during the next six months.

Results of Operations

Three Months ended May 31, 1992 as compared to May 31, 1991.

The Company incurred a net profit for the 3 months ended May 31, 1992 of $65,000 as compared to a net loss for the three months ended May 31, 1991, of $11,250.

Revenues for the three months ended May 31, 1992 were $1,367,000 as compared to $2,053,900 for the three months ended May 31, 1991. The principal reasons for the reduction were the tightened credit policy of the Company, the continued decline in the economy and reduced loans to our distributors by their banks. As described on page 11, the Company is currently negotiating with outside parties to provide a source of financing for our potential customers.

Gross Margin for the three months ended May 31, 1992, decreased to 26.5% as compared to 28.5% for the three months ended May 31, 1991. Due to declining sales.

Selling, General and Administrative expenses for the three months ended May 31, 1992 were $200,110 as compared to $518,135 in the three months ended May 31, 1991. This reduction in expenses was achieved through cost containment efforts and cessation of legal matters.

Six Months ended May 31, 1992 as compared to May 31, 1991.

The net income for the 6 months ended May 31, 1992, was $116,700 as compared to $121,900 for the six months ended May 31, 1991.

Revenues for the six months ended May 31, 1992 were 2,715,000, as compared to $4,354,000 for the six months ended May 31, 1991. The principal reasons for the reduction was the tightened credit policy of the Company coupled with a general decline in the economy and the difficulty the Company's customers experienced in obtaining financing from other sources. The company is currently negotiating with outside parties to provide a source of financing for our customers.

Gross Margin for the six months ended May 31, 1992, increased to 30% as compared to a gross margin of 29.1% of for the six months ended May 31, 1991. Management believes the Company's cost controls and pricing policy have been effective in producing greater return on the sales dollar.

Selling, General and Administrative expenses for the six months ended May 31, 1992, were $511,300 as compared to $872,600 in the six months ended May 31, 1991. This reduction in expenses was achieved through cost containment efforts.

Part II. Other Information

Item 1. Legal Proceedings:

(a) None.

Item 5. Other Information

Progress continues in the development and sales of the Company's card dispensers. Not only are operators using the card dispensers on their existing equipment but large manufactures have purchased the O.E.M. units to incorporate into their existing products or the new games they are creating using our card dispenser as the main feature.

The Company's research and development continues to develop additional uses for the card dispenser.

The unit can dispense debit cards in addition to sports & non sports cards. Debit cards are plastic charge cards, as you might see on College Campuses, where students buy the cards from a machine and use the card to purchase items from vending equipment instead of cash.

The newest use of the Company's card dispenser is for the dispensing of instant lottery tickets. The Company is developing an instant lottery ticket dispensing unit to be used by those states which have passed legal instant lottery ticket dispensing legislation such as Virginia, Delaware, Vermont and Kentucky. The lottery commissions of these states have placed lottery dispensing units in areas to speed up the selling of tickets without increasing labor costs, thereby increasing sales by as much as 30% to 1,000% in some areas. Locations receive a percentage of all tickets sold. Locations are agreeable to this arrangement as they will save on labor costs and increase the number of tickets sold.

Development of the Company's Video Lottery Terminal programs continue to progress.

Video Lottery Terminals are legal electronic lottery games played on a video screen. Each game whether poker, blackjack, bingo, or keno is played to win prizes redeemable for cash or free plays. VLT's do not dispense money to winners. A printer, inside the game, activates after the patron pushes a button and prints a ticket with the results of the play showing the numbers of credits won and the dollar value of these credits. The patron then redeems the ticket for cash from the establishment where the VLT is located.

According to the trade journal, Gambling and Wagering Business International, at present, legislation has been passed for legal video gambling in the states of Louisiana, Montana and South Dakota and games are currently authorized, regulated and implemented by the lottery authorities of South Dakota, West Virginia and the maritime provinces of Atlantic Canada. Other states such as Illinois, Kansas, Maine, Michigan, Oregon and Wisconsin are in various stages of considering adoption of legalizing legislation. The Company is trying to position itself in this market as soon as possible. As states such as Louisiana began VLT operations in June of 1992 other states which have VLT legislation in various stages will be watching the results. If favorable, as we expect, many of the legislators will move their legislation forward at an accelerated pace.

Grayhound wants to be in position to take advantage of this sizable market as it develops state by state.

The K-mart test of the Companies cranes is almost completed and the early results are favorable. It is expected that with the approvals of K-mart management the roll out of the crane program will result in sales in the fourth quarter. There are over 2700 K-mart stores nationally.

Plans for external financing. The Company has secured sources for financing the Company's equipment externally, for credit worthy customers. This creates an opportunity to increase sales in areas where tight money has caused problems.

Item 6. Exhibits and Reports on Form 8-K

(a) None.

(b) The Company has not filed any reports on Form 8K during the Quarter ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAYHOUND ELECTRONICS, INC

By Thomas Ricci
Thomas M. Ricci
Chairman of the Board and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1992 Commission File No. 0-17585

KELLEY OIL CORPORATION

(Exact name of registrant as specified in its charter)

PROCESSED BY
15— 15 IA
MAY 18 1992

Delaware (State or other jurisdiction of incorporation or organization)	76-0082502 (I.R.S. Employer Identification No.)
efferson St. ite 1100 ton, Texas (Address of principal executive offices)	77002 (Zip Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

C30

Registrant's telephone number, including area code: (713) 652-5200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Title of Class	Outstanding at April 30, 1992
Common Stock, par value $.01 per share	14,496,225

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KELLEY OIL CORPORATION

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Part I. Financial Information

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PART I. FINANCIAL INFORMATION

KELLEY OIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

($ in thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS:		
Cash	$ 5,032	$ 13,142
Accounts receivable	14,197	14,387
Accounts receivable - drilling programs	5,429	7,916
Prepaid expenses and other current assets	1,242	514
Total current assets	25,900	35,959
Oil and gas properties, full cost method:		
Unevaluated properties	1,116	1,361
Properties subject to amortization	53,797	47,750
Pipelines and other transportation assets, at cost	1,043	1,060
Furniture, fixtures and equipment	975	929
	56,931	51,100
Less: Accumulated depreciation, depletion and amortization	12,933	11,039
Total property and equipment	43,998	40,061
Other non-current assets (net of accumulated amortization)	4,894	4,908
TOTAL ASSETS	74,792	80,928
LIABILITIES:		
Accounts payable and accrued expenses	$ 7,676	$ 11,189
Accounts payable - drilling programs	10,172	13,398
Current maturities of long term debt	1,050	1,381
Current federal income taxes	25	135
Total current liabilities	18,923	26,103
Long-term debt	12,774	12,315
Convertible subordinated debentures	5,957	5,957
Deferred federal income tax	4,752	4,631
TOTAL LIABILITIES	42,406	49,006
SHAREHOLDERS' EQUITY:		
Preferred Stock, $1.50 par value, 5,000,000 shares authorized, 1,000,000 shares of $.15 Cumulative Convertible, 2,000,000 shares of $.20 Cumulative Convertible and 220,000 shares of $1.00 Cumulative Convertible issued and outstanding at December 31, 1991 and March 31, 1992	4,830	4,830
Common Stock, $.01 par value, 21,000,000 shares authorized, 14,496,225 shares issued and outstanding at December 31, 1991 and March 31, 1992	145	145
Additional paid-in capital	28,911	28,911
Retained earnings	3,067	2,934
	36,953	36,820
Less: Deferred employee compensation	(4,567)	(4,898)
TOTAL SHAREHOLDERS' EQUITY	32,386	31,922
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 74,792	$ 80,928

See Notes to Consolidated Financial Statements.

KELLEY OIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

($ in thousands except per share data)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Oil and gas revenues	$ 3,825	$ 1,977
Pipeline revenues	5,450	9,740
Compensation from managed programs and properties	2,689	2,061
Interest and other income	293	287
Total revenues	12,257	14,065
Production expenses	834	369
Cost of gas sold	5,193	9,267
General and administrative expenses	3,556	3,176
Interest expense	301	92
Depreciation, depletion and amortization	1,887	619
Total expenses	11,771	13,523
Income before income taxes	486	542
Provision for federal income taxes:		
Current	40	69
Deferred	121	107
	161	176
Net income	325	366
Less: cumulative preferred stock dividends	192	192
NET INCOME APPLICABLE TO COMMON AND COMMON EQUIVALENT SHARES	$ 133	$ 174
Earnings per share:		
Primary:		
Net income	$ .01	$ .01
Assuming full dilution:		
Net income	$ .01	$ .01
Average common and common equivalent shares outstanding:		
Primary	14,875	14,706
Assuming full dilution	18,095	17,926

See Notes to Consolidated Financial Statements.

KELLEY OIL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)

(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Operating Activities:		
Net income	$ 325	$ 366
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion and amortization	1,887	619
Deferred income taxes	121	107
Changes in operating assets and liabilities:		
Increase in accounts receivable	2,677	4,765
Increase in prepaid expenses	(728)	(3,130)
Decrease in accounts payable and accrued expenses	(6,849)	(7,518)
Net cash used in operating activities	(2,567)	(4,791)
Investing Activities:		
Purchases of property and equipment	(5,831)	(4,277)
Proceeds from sale of equipment	21	—
Net cash used in investing activities	(5,810)	(4,277)
Financing Activities:		
Proceeds from long-term borrowings	461	335
Principal payments on long-term borrowings	(2)	(2)
Dividends paid on preferred stock	(192)	(192)
Net cash provided by financing activities	267	141
Decrease in cash and cash equivalents	(8,110)	(8,927)
Cash and cash equivalents, beginning of period	13,142	14,591
Cash and cash equivalents, end of period	$ 5,032	$ 5,664

See Notes to Consolidated Financial Statements.

KELLEY OIL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and, in the opinion of management, the information furnished reflects all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented.

The accounting policies followed by Kelley Oil Corporation ("Kelley Oil" or the "Company") are set forth in Note 1 to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 31, 1991, which is incorporated herein by reference.

NOTE 2 - PENDING EXCHANGE OFFER

In February 1992, Kelley Oil & Gas Partners, Ltd., a publicly traded limited partnership managed by the Company ("Kelley Partners"), filed a registration statement with the Securities and Exchange Commission (the "SEC") covering a proposed exchange offer (the "1989 DDP Exchange") of Units in Kelley Partners for interests of investors and the general partners in Kelley Partners 1989 Development Drilling Program, a publicly held drilling partnership also managed by the Company (the "1989 DDP"). The number of Units issuable in the 1989 DDP Exchange will be determined by dividing the exchange value of the 1989 DDP's net assets by the average market price of the Units prior to commencement of the exchange offer. Approval of the 1989 DDP Exchange requires the consent of a majority in interest of the unitholders in the 1989 DDP. Kelley Oil and its officers and directors own 42.04% and 4.73%, respectively, of the units in the 1989 DDP and are expected to tender their interests (including Kelley Oil's 3.94% general partner interest) in the 1989 DDP, in which case the approval of the 1989 DDP Exchange would be virtually assured.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Company Operations. Kelley Oil derives revenues from its oil and gas operations and from its interests as both managing general partner and a unitholder in Kelley Oil & Gas Partners, Ltd. ("Kelley Partners") and development partnerships sponsored by the Company to conduct development drilling activities on properties of Kelley Partners ("Development Partnerships"). The Company accounts for these investments using the proportionate consolidation method, combining its share of assets, liabilities, income and expenses of Kelley Partners and the Development Partnerships (the "Kelley Group") with those of the Company's separate operations.

In addition to its oil and gas development and producing activities, Kelley Oil markets natural gas and operates natural gas gathering and transportation systems in Louisiana through Concorde Gas, Inc., a subsidiary in which Kelley Oil increased its ownership from 50% to 100% in June 1989 ("Concorde Gas"). The operations of Concorde Gas have had a significant impact on the Company's financial statements, with revenues and expenses of Concorde Gas (categorized primarily as pipeline revenues and cost of gas sold) aggregating $34,129,000 and $32,913,000, respectively, in 1991 compared to $2,000 and $152,000, respectively, in 1987.

Oil and Gas Markets. Since the mid-1980's, the prices of oil and natural gas have generally remained depressed as a result of an oversupply of a number of fuels, particularly natural gas, relative to the demand for these commodities. Due to the oversupply of natural gas, many gas purchasers such as interstate and intrastate pipelines have reduced their takes from producers below historic levels and have implemented a variety of new marketing approaches, including gas clearinghouses and bid programs (designed as vehicles for month-to-month spot sales) and various types of marketing programs, in an effort to increase or regain sales previously lost to competing fuels or to avoid additional take-or-pay liabilities to producers. In some cases, purchasers have unilaterally reduced prices payable under their gas purchase contracts or have otherwise refused to comply with their terms. End users have also begun to negotiate directly with producers for the purchase of natural gas. The prices received by gas sellers in these programs and situations are typically lower than prices previously received under longer term contracts with pipelines and are generally more responsive to changes in demand for gas at the end user level.

Kelley Oil has endeavored to mitigate the effect of these market conditions through restructuring its gas marketing and distribution arrangements and establishing a separate but related line of business in 1988 through Kelley Partners' acquisition and operation of the Pipeline Facilities in Louisiana. The Company's oil and gas operations will continue to be affected, however, by the unsettled energy markets, which in turn are influenced by a variety of factors beyond the control of producers, including general economic conditions, the extent of domestic production and foreign imports of oil and gas, weather conditions and their impact on consumer demand, government regulations, the availability of pipelines and the rate of inflation. A combination of these factors, particularly temperate weather conditions, has resulted in unseasonably weak prices for natural gas in 1991 and the first quarter of 1992, with seasonally adjusted prices in the first quarter this year reaching their lowest level in over fifteen years. See "Results of Operations" below. These factors make it particularly difficult to estimate the future prices and sales volumes of oil and gas and may result in continued erosion in the prices paid for the Company's oil and gas production.

Full Cost Accounting. Kelley Oil has elected to account for its oil and gas properties and related development and production activities using the full cost method prescribed by SEC financial reporting rules. The full cost method imposes limitations on the carrying or book value of the Company's oil and gas properties and requires a writedown or non-cash charge against earnings for any quarter in which its full cost pool of acquisition and development costs for properties subject to amortization (reduced by total depletion and related charges) exceeds a cost center ceiling generally corresponding to the standardized measure of discounted future net cash flows from its proved oil and gas reserves based on prices received for its oil and gas production as of the end of that quarter.

Recent Developments

General. The Company's operating results for the first quarter of 1992 were adversely affected by unseasonably low natural gas prices, which declined by 14.5% and 29.1% compared to average prices received for its natural gas production in the first quarters of 1991 and 1990, respectively. First quarter results this year also reflect declining prices for the Company's crude oil production. Kelley Oil has endeavored to offset part of the impact of depressed oil and gas prices by increasing production primarily through its active development drilling operations. During the first quarter this year, Kelley Oil participated in drilling six new development wells, of which 5 gross (1.34 net) wells were found to be productive, adding to the Company's 29 gross (7.62 net) wells completed as producers last year and contributing to Kelley Oil's production gains of 114.8% on a gas equivalent basis in the first quarter of 1992 compared to 1991 first quarter production levels. The Company anticipates continued production gains from recent and prospective well completions, with 8 gross (2.8 net) wells being drilled at the end of the quarter, and expects significantly increased cash flow for the balance of the year over 1991 levels, although oil and gas prices are expected to remain relatively weak during 1992.

Natural Gas Marketing Developments. The average prices received for Kelley Oil's natural gas production during 1991 and the first quarter of 1992 reflect depressed conditions in the oil and gas industry generally. As a result of these conditions and factors affecting its customer markets, Texas Eastern Transmission Corporation ("Texas Eastern"), which accounted for 18.1% of the Company's total revenues in 1991, exercised its right in May 1991 to purchase natural gas under its gas purchase contract with Kelley Oil at its then prevailing market-clearing level corresponding generally to the spot market prices in the production area at that time. In July 1991, Texas Eastern made a proposal that was subsequently accepted by Kelley Oil for the purchase of up to 75.2% of the Kelley Group's dedicated gas during the period from November 1991 through February 1992 at prices slightly above the prevailing spot market index in the production area. Continuing disruption in its customer markets resulted in declining takes by Texas Eastern during the commitment period. In response to these developments, the Company has endeavored to expand the Kelley Group's gas sales in alternative intrastate markets that are expected to provide greater stability and operating flexibility despite pricing levels substantially less favorable to the Kelley Group than the original contractual formula with Texas Eastern.

1991 DDP Closing. In October 1991, Kelley Partners 1991 Development Drilling Program, the fifth Development Partnership (the "1991 DDP"), completed a public offering of 11,471,411 units of limited and general partner interests at $3.00 per unit with gross offering subscriptions of $34,414,233, together with contributions of the general partners aggregating $1,418,997. Unitholders in Kelley Partners subscribed preemptively for a total of 2,988,582 units in the 1991 DDP, officers and directors of Kelley Oil for 415,873 units and the Company for the balance of 8,066,956 units. The Company's subscription for units in the 1991 DDP, when combined with its 3.94% general partner interest, represents a total interest of 71.5% in the 1991 DDP. Kelley Oil's investments in prior Development Partnerships have ranged from approximately 26.5% to 68.3% of the total program interests and have added significantly to the Company's oil and gas reserves and cash flow from operations.

From its inception through May 14, 1992, the 1991 DDP has participated in drilling a total of 15 development wells, of which 12 gross (3.94 net) wells have been found productive, 2 gross (.50 net) wells have been plugged and abandoned as dry holes and 1 gross (.65 net) well has been temporarily abandoned pending further evaluation. The Company currently expects that substantially all the development activities on properties of Kelley Partners through the end of the third quarter of 1992 will be financed by the 1991 DDP, together with Kelley Partners' direct participation, which is being maintained at one-third for Kelley Partners and two-thirds for the 1991 DDP. In selecting prospect areas for Kelley Partners and the 1991 DDP, the Company is seeking to balance varying risk and reward profiles associated with properties in different fields. It is currently anticipated that approximately two-thirds of the combined development funds, aggregating approximately $35 million from the 1991 DDP and $17.5 million from Kelley Partners, will be allocated to drilling activities on prospects in Kelley Partners' southern Louisiana fields. The geologically complex trends in these areas often involve significantly deeper pays and present greater risks but are generally more prolific than the overlapping sands found in Kelley Partners' northern Louisiana fields, while drilling to the shallower reservoirs in the Salt Basin of northern Louisiana is usually less expensive on a per well basis with less reserve potential.

Pending Exchange Offer. In February 1992, Kelley Partners filed a registration statement with the SEC covering a proposed exchange offer (the "1989 DDP Exchange") of Units in Kelley Partners for interests of investors and the general partners in Kelley Partners 1989 Development Drilling Program, the third Development Partnership (the "1989 DDP"). The number of Units issuable in the 1989 DDP Exchange will be determined by dividing the exchange value of the 1989 DDP's net assets by the average market price of the Units prior to commencement of the exchange offer. Approval of the 1989 DDP Exchange requires the consent of a majority in interest of the unitholders in the 1989 DDP. Kelley Oil and its officers and directors own 42.04% and 4.73%, respectively, of the units in the 1989 DDP and are expected to tender their interests (including Kelley Oil's 3.94% general partner interest) in the 1989 DDP, in which case the approval of the 1989 DDP Exchange would be virtually assured.

Results of Operations

General. The Company's growth since 1986 has resulted primarily from its increasing interests in the Kelley Group's acquisitions of producing oil and natural gas properties and development drilling activities as well as the expanded natural gas marketing operations of Concorde Gas. Kelley Oil generally experiences some seasonal variations in its oil and gas revenues due to price increases in the spot markets during the winter. While natural gas price movements during the beginning of 1992 have not followed historical patterns, the Company's operating results remain sensitive to price fluctuations in the oil and gas markets.

Quarter Ended March 31, 1992 Compared to Quarter Ended March 31, 1991. Oil and gas revenues of $3,825,000 for the first quarter of 1992 increased 93.5% compared to $1,977,000 in the same quarter last year. Production of natural gas during the current quarter increased 106.1% to 1,871,000 Mcf from 908,000 Mcf in the first quarter of 1991, while the average price of natural gas decreased 14.5% to $1.41 per Mcf in the current quarter from $1.65 per Mcf in the corresponding quarter last year. Production of crude oil and natural gas liquids in the current quarter totalled 62,165 barrels, with an average sales price of $18.96 per barrel compared to 22,859 barrels at $21.68 per barrel in the same quarter last year, representing a volume increase of 171.9% partially offset by a price decline of 13.3%.

The increase in oil and gas production and revenues during the first quarter of 1992 reflects expanded operations of Kelley Partners and the completion of eleven additional wells being produced to sales since the end of the first quarter last year by Kelley Partners 1990 Development Drilling Program, the fourth Development Partnership (the "1990 DDP"), and by the 1991 DDP. The Company has interests in the 1989 DDP, the 1990 DDP and the 1991 DDP aggregating 44.3%, 68.3% and 71.5%, respectively, of the total partnership interests in those programs. The growth in revenues also reflects an increase in the Company's interest in Kelley Partners through an exchange offer, effective as of April 1, 1991, for interests in Kelley Partners 1988 Development Drilling Program, the second Development Partnership. Oil and gas revenues attributable to the Company's interests in Kelley Partners and the Development Partnerships aggregated $592,000 and $3,159,000, respectively, in the first quarter this year compared to $400,000 and $1,480,000, respectively, in the corresponding quarter in 1991.

Pipeline revenues of $5,45[illegible],000 attributable to the natural gas marketing and transportation operations of Concorde Gas for the first quarter of 1992 decreased 44.0% compared to $9,740,000 in the same period last year, reflecting increased intercompany volumes eliminated in consolidation and the decrease in prices of natural gas marketed by Concorde Gas, while associated expenses of $5,193,000 in the current quarter attributable primarily to the cost of gas sold in marketing activities decreased 44.0% compared to $9,267,000 in the first quarter of 1991. The Company's operating income from pipeline operations declined 45.7% compared to the prior year, reflecting lower pipeline revenues as well as a temporary reduction by Concorde Gas in its fee rates under gas purchase and marketing agreements with the Kelley Group pending improvements in natural gas prices. The reduction is not expected to remain in effect during periods of improved natural gas prices.

During the first quarter this year, the Company received compensation from affiliated programs and managed properties, representing reimbursement of general and administrative expenses incurred on behalf of Kelley Partners, the Development Partnerships and other working interest owners of properties operated by Kelley Oil, aggregating $2,689,000, compared to $2,061,000 in the corresponding quarter in 1991, an increase of 30.5%. The increase reflects additional overhead expense associated with the first full quarter of operations for the 1991 DDP, the expansion of operations of the other programs managed by Kelley Oil and a substantial increase in the number of wells operated by the Company, currently in excess of 180 wells.

Production expenses relating to oil and gas operations for the first quarters of 1992 and 1991 were $834,000 and $369,000, respectively, an increase of 126.0% on a comparative basis, reflecting expanded oil and gas operations in the current quarter. As a percentage of oil and gas revenues, production expenses increased to 21.8% in the current quarter from 18.7% in the corresponding prior quarter, reflecting price declines for oil and natural gas production.

General and administrative expenses aggregated $3,556,000 in the first quarter of 1992, or $867,000 after giving effect to compensation from affiliated programs and managed properties, representing an increase of 12.0% over aggregate general and administrative expenses of $3,176,000 in the corresponding quarter of 1991 and a decrease of 22.2% from non-reimbursed overhead costs of $1,115,000 in the first quarter last year. The increase in these aggregate expenses is primarily attributable to additions to the Company's staff and leased office space during 1991 to accommodate the substantial growth in the size of affiliated programs managed by the Company, while the decline in non-reimbursed costs reflects an increase in the proportion of management resources allocated to the operation of affiliated programs. Aggregate general and administrative expenses represented 29.0% of revenues in the first quarter of 1992 compared to 22.6% of revenues in the same quarter last year due to the decline in oil and gas prices, while non-reimbursed overhead costs represented 7.1% and 7.9% of revenues in the same respective periods.

Depreciation, depletion and amortization increased 204.8% from $619,000 in the first quarter of 1991 to $1,887,000 in the current quarter, reflecting additional depletion attributable to increased production and additions to the Company's interests in oil and gas properties. As a percentage of revenues, depreciation, depletion and amortization increased from 4.4% in the first quarter last year to 15.4% in the current quarter, due primarily to decreased oil and gas prices and lower pipeline revenues.

Interest expense of $301,000 in the first quarter of 1992 increased 227.2% compared to $92,000 incurred in the corresponding quarter last year, reflecting increased current borrowings by Kelley Oil to finance part of its investment in the 1990 DDP and the 1991 DDP.

Net income of $486,000 before income taxes and Preferred Stock dividends in the first quarter of 1992 decreased 10.3% compared to $542,000 in the same quarter last year, primarily reflecting the Company's production gains partially offset by the decrease in oil and gas prices. Net income for the current quarter was reduced by provisions of $121,000 for deferred income taxes and $40,000 for current income taxes and by Preferred Stock dividends of $192,000. Current federal income taxes are being provided as a result of the full utilization of alternative minimum tax net operating loss carryforwards in prior periods. Deferred income taxes are provided to account for timing differences arising when revenues or expenses are recognized in different periods for financial and tax reporting purposes. These timing differences relate primarily to intangible drilling and development costs associated with oil and gas properties capitalized and amortized based upon units of production for financial reporting purposes and expensed as incurred for tax reporting purposes, together with differences in financial reporting provisions for depreciation and amortization and that of income tax reporting.

Working capital provided by operations, considered by Kelley Oil as its primary operating benchmark, aggregated $2,333,000 in the first quarter of 1992, an increase of 113.6% compared to $1,092,000 in the corresponding quarter last year, reflecting the foregoing trends. Working capital provided by operations of the Company generally corresponds to its net income plus non-cash charges comprised of depreciation, depletion and amortization and deferred income taxes. The Company anticipates continuing growth in operating working capital primarily from its increased interests in affiliated programs, including its combined 71.5% interest in the 1991 DDP.

The results of operations for the quarter ended March 31, 1992 are not necessarily indicative of results to be expected for the full year.

Liquidity and Capital Resources

Liquidity. Net cash used in operating activities of the Company during the first quarter of 1992 aggregated $2,567,000. Kelley Oil's cash position was increased during the quarter by proportionately consolidated proceeds from indirect long-term debt of $461,000. Funds were used in investing and financing activities comprised of property and equipment expenditures of $5,831,000 and Preferred Stock dividends of $192,000. As a result of these activities, cash and cash equivalents decreased from $13,142,000 at December 31, 1991 to $5,032,000 at March 31, 1992.

Capital Resources. The Company maintains a credit agreement with Bank One, Texas, NA (the "Bank") providing for a revolving credit facility of up to $6,500,000 (the "Credit Facility"). In addition to the Credit Facility, the Company and its Employee Stock Ownership Plan (the "ESOP") are parties to a loan agreement with the Bank providing for term loans that refinanced prior ESOP borrowings used to acquire Preferred Stock from the Company (the "ESOP Term Loans").

The ESOP Term Loans are divided into two facilities. The first facility was originally established in August 1990 at $5,000,000 and bears interest at the rate of 8.81% per annum. The second facility in the original amount of $1,357,000 did not provide tax advantages to the Bank and therefore bears interest at the rate of 10.36% per annum. The ESOP Term Loans are serviced to the full extent of all ESOP contributions from the Company and all Preferred Stock dividends received by the ESOP, with the unamortized balances payable on June 15, 1994, except that the loan attributable to the ESOP's purchase of Preferred Stock in December 1986 will mature on December 24, 1993. The ESOP Term Loans are secured by all unallocated shares of Preferred Stock owned by the ESOP and by the Company's guaranty, which in turn is secured by a pledge of Kelley Oil's assets. As of March 31, 1992, $4,567,000 was outstanding under the ESOP Term Loans.

The Credit Facility provides for borrowings by the Company in amounts not to exceed a borrowing base that is redetermined by the Bank from time to time based on a portion of the market value of Units in Kelley Partners owned by Kelley Oil (the "Unit Value Component") and the discounted present value of the Company's proved oil and gas reserves attributable to its directly owned properties and interests in affiliated Development Partnerships (the "Reserve Component"). The Unit Value Component changes with fluctuations in the market price of Units, and the Reserve Component is redetermined at least semiannually by the Bank upon submission of updated reserve reports. The borrowing base is then reduced by the outstanding balance of the ESOP Term Loans to determine the direct borrowing base available to the Company. Based on this methodology, the direct borrowing base has been established since September 1991 at $6,500,000, all of which was advanced during 1991 primarily to fund a portion of the Company's remaining subscription commitment to the 1990 DDP. Kelley Oil believes that its substantial growth in oil and gas reserves attributable to its interests in affiliated programs will support a larger facility and is pursuing discussions to that end.

Interest is payable on borrowings under the Credit Facility at a floating rate equal to 3/4% above the Bank's prime rate, together with a commitment fee of 1/2% per annum of the unused portion of the available borrowing base. The Credit Facility provides for payments of interest only until maturity on June 15, 1994. Borrowings under the Credit Facility are secured by the pledge of substantially all of the Company's assets. The Credit Facility requires the consent of the Bank for third-party borrowings and is prepayable without penalty or premium. As of March 31, 1992, $6,500,000 was outstanding under the Credit Facility.

Kelley Partners has an outstanding issue of 8½% Convertible Subordinated Debentures in the aggregate principal amount of $26,881,000 and has obtained advances under its revolving credit facility in varying amounts. The Company's proportionate interest in Kelley Partners' total debt outstanding at March 31, 1992 was $2,740,000. Kelley Oil's indirect long-term debt was reduced substantially in October 1991 upon Kelley Partners' repayment of its credit facility borrowings aggregating $40,000,000 from a portion of the proceeds from a public offering of 3,970,000 Units in Kelley Partners.

In September and November 1991, Kelley Oil issued in a private placement $5,582,250 principal amount of its 8% Convertible Subordinated Debentures due 2001. The Debentures are convertible into shares of the Company's Common Stock at a conversion price of $11.50, subject to customary antidilution adjustments, and are redeemable upon the occurrence of certain specified events. Net proceeds from the Debenture offering were applied primarily to fund a portion of Kelley Oil's subscription commitment to the 1991 DDP.

Capital Commitments. In October 1991, the 1991 DDP completed a public offering of 11,471,411 units of limited and general partner interests at $3.00 per unit with gross offering subscriptions of $35,833,230, including contributions of the general partners aggregating $1,418,997. In accordance with its undertakings in the partnership agreement of Kelley Partners, the Company subscribed for all units in the 1991 DDP that were not subscribed preemptively by investors in Kelley Partners, aggregating 8,066,956 units. The Company's subscription for units in the 1991 DDP, when combined with its 3.94% general partner interest, represents a total interest of 71.5% in the 1991 DDP. Under the deferred payment option applicable to investments exceeding $10,000 in Development Partnerships, Kelley Oil made an initial contribution of $2,415,178 representing 10% of its subscription commitment for units in the 1991 DDP, plus $141,183 as an initial payment for its 3.94% general partner interest.

In February 1992, the Company made the first capital call for deferred subscriptions up to $1.30 per unit in the 1991 DDP. In accordance with that capital call, the Company has contributed an additional $8,542,000 to the 1991 DDP. The balance of the Company's subscription commitment to the 1991 DDP aggregating $14,514,000 is payable through July 15, 1992 under the deferred payment option.

Working capital provided by the Company's operations in the first quarter of 1992 totaled $2,333,000 compared to $1,092,000 in the same period last year. Although Kelley Oil generally experiences some seasonal fluctuations in oil and gas revenues due to price increases in the spot markets during the winter, unseasonably temperate weather adversely affected natural gas prices throughout 1991 and the first quarter of 1992. The current weakness in natural gas prices as well as price declines for crude oil production has offset a portion of the benefits that the Company would otherwise derive from its significant production gains, reducing the rate of growth in operating cash flows dedicated predominantly to its investments in Development Partnerships. Kelley Oil anticipates that the balance of its investment commitment to the 1991 DDP will exceed its existing working capital and cash flow from operations during the deferred payment period ending in July 1992. Accordingly, the Company is exploring an increase in its Credit Facility and other financing alternatives to support its commitment to the 1991 DDP and subsequent Development Partnerships pending improvements in the natural gas markets. The Company believes that its internally generated funds, together with funds expected to become available under the Credit Facility or alternative financing, will be sufficient to supply all working capital needed to carry on its operations, including the satisfaction of its deferred subscription commitment to the 1991 DDP, which represents the Company's sole material capital expenditure commitment.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) *Exhibits.*

Exhibit Number	Exhibit
11.0	Statement regarding computation of per share earnings.

(b) *Reports on Form 8-K.*

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KELLEY OIL CORPORATION

Date: May 14, 1992

By: W. Matt Ralls

W. Matt Ralls,
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer)
(Principal Financial Officer)

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(Amounts in thousands, except per share data)

	Three Months Ended March 31,	
	1992	1991
PRIMARY:		
Average shares outstanding	14,496	14,299
Net effect of dilutive stock options--based on the treasury stock method using average market price	379	407
TOTAL	14,875	14,706
Net income	$ 325	$ 366
Less cumulative preferred stock dividends	192	192
Net income applicable to common and common equivalent shares	$ 133	$ 174
Per share amounts:		
Net income	$ .01	$ .01
ASSUMING FULL DILUTION:		
Average shares outstanding	14,496	14,299
Net effect of dilutive stock options--based on the treasury stock method using average market price	379	407
Assumed conversion of 8% convertible debentures	(2)	(2)
Assumed conversion of cumulative preferred stock	3,220	3,220
TOTAL	18,095	17,926
Net income	$ 325	$ 366
Less cumulative preferred stock dividends	192	192
Add cumulative preferred stock dividends	(1)	(1)
Add 8% convertible subordinated debentures interest, net of federal income tax effect	(2)	(2)
Net income applicable to common and common equivalent shares	$ 133	$ 174
Per share amounts:		
Net income	$ .01	$ .01

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(1) The effect of Preferred Stock dividends is not added back for the three months ended March 31, 1992 and 1991 because the dividends are used to service debt of the Company's Employee Stock Ownership Plan and are considered a nondiscretionary adjustment related to the conversion of the stock.

(2) The assumed conversion of the 8% convertible subordinated debentures for the three months ended March 31, 1992 and 1991 would have an anti-dilutive effect for the computation of earnings per common shares and equivalents; therefore, conversion has not been assumed for this period.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 1, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-6072

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LATSHAW ENTERPRISES, INC.
Name of Registrant

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware	44-0427130
State of Incorporation	Employer's I.D. Number

2533 S. West Street
Wichita, Kansas 67217
Address of principal executive offices

(316) 942-7266
Registrant's telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ___

Common Stock, $2 Par Value -- 592,832 Shares Outstanding at 2-1-92

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LATSHAW ENTERPRISES, INC.

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Consolidated Statements of Operations - For the three months ended February 1, 1992 and February 2, 1991.

Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows - For the three months ended February 1, 1992 and February 2, 1991.

Item 2. Management Comments.

PART II. OTHER INFORMATION

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K.

SIGNATURES

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

LATSHAW ENTERPRISES, INC. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (In thousands)

	February 1, 1992	November 2, 1991
Assets		
Current Assets		
Cash and cash equivalents	$ 401	$ 231
Marketable equity securities, at lower of cost or market	1,250	3,809
Accounts and notes receivable - net	4,143	3,390
Inventories, at lower of cost (LIFO) or market	4,911	4,909
Refundable income taxes	891	891
Deferred income taxes	557	557
Prepaid expenses	250	328
Total Current Assets	12,403	14,115
Property, Plant and Equipment at cost	13,115	13,005
Less accumulated depreciation and amortization	(8,802)	(8,618)
	4,313	4,387
Deferred Income Taxes	113	113
Other Assets	304	333
	$17,133	$18,948
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable to bank	$ 1,788	$ 4,492
Notes payable to shareholder	1,342	1,342
Accounts payable	2,069	1,886
Current portion of long-term debt	38	36
Accrued expenses	1,014	1,004
Total Current Liabilities	6,251	8,760
Long-Term Debt, less current portion	453	467
Pensions and Deferred Compensation	1,524	1,528
Shareholders' Equity		
Preferred stock, no par value; 500,000 shares authorized, none issued	-	-
Common stock, $2 par value; 1,500,000 shares authorized; 1,002,162 shares issued	2,004	2,004
Class C common stock, $2 par value: authorized shares--1,000,000, none issued	-	-
Additional paid-in capital	5,548	5,904
Retained earnings	11,997	11,339
	19,549	19,247
Less Treasury stock, at cost, 409,330 shares in 1992 and 423,939 shares in 1991	(10,644)	(11,054)
	8,905	8,193
	$17,133	$18,948

(This is an unauthorized statement)

LATSHAW ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except share data)

	Three Months Ended	
	February 1, 1992	February 2, 1991
Net sales	$6,326	$5,676
Costs and expenses		
Cost of sales	5,146	4,694
Selling, general and administrative	1,077	1,169
Interest expense	96	168
Interest income	(20)	(4)
Gain on sale of marketable equity securities	(803)	-
Unrealized loss on marketable equity securities	162	91
Other expense (income) - net	2	(116)
Total cost and expenses	5,660	6,002
Income (loss) before taxes and extraordinary item	666	(326)
Income tax provision (benefit)	226	(86)
Income (loss) before extraordinary item	440	(240)
Extraordinary item:		
Tax benefit from utilization of capital loss carryforwards	218	-
Net Income (loss)	$ 658	$ (240)
Net income (loss) per common share:		
Income (loss) before extraordinary item	$ .75	$ (.41)
Extraordinary item	.37	-
Net income (loss per share)	$ 1.12	$ (.41)
Average shares outstanding	585,479	578,802

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1. The condensed financial statements included herein have been prepared by the Company without audit, and in the opinion of management, reflect all the adjustments necessary to fairly present the Company's results of operations for the period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report.

(This is an unaudited statement)

LATSHAW ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

	Three Months Ended	
	February 1, 1992	February 2, 1991
OPERATING ACTIVITIES:		
Net income (loss)	$ 658	$ (240)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	184	203
Deferred pensions	(4)	(11)
Gain on sale of marketable equity securities	(803)	-
Unrealized loss on marketable equity securities	162	91
Provision for loss on accounts receivable	5	2
Minority interest share of income	-	(34)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(758)	(257)
Inventories	(2)	361
Refundable income taxes	-	203
Prepaid expenses	78	(41)
Accounts payable	183	(140)
Accrued expenses	70	(124)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(227)	13
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(110)	(273)
Proceeds from sale of marketable equity securities	3,200	-
Decrease in other assets	29	151
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,119	(122)
FINANCING ACTIVITIES:		
Payments on note payable to bank	(2,704)	(127)
Proceeds from issuance of note payable to shareholder	-	300
Payments of long-term debt	(12)	(3)
Purchase of treasury stock	(6)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,722)	170
INCREASE IN CASH AND CASH EQUIVALENTS	170	61
Cash and cash equivalents at beginning of period	231	271
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 401	$ 332

(This is an unaudited statement)

Item 2.

MANAGEMENT COMMENTS

Net sales for the first quarter of 1992 increased 11.5 percent to $6,326,000 compared to $5,676,000 for the same period in 1991. All operating divisions of the Company had increased sales this quarter over the same period last year.

Gross profit was 18.7 percent in the first quarter of 1992 compared to 17.3 percent for the same period in 1991. This improvement was accomplished as a result of increased sales volume and reductions in fixed costs.

Selling, general and administrative expenses decreased $92,000 in the first quarter of 1992 compared to the same period in 1991. This reduction was the result of steps taken by Management to reduce administrative costs through restructuring and staff reductions.

Interest expense was $96,000 for the first quarter of 1992 compared to $168,000 for the same period a year earlier. This decrease was due to the reduction of bank debt and a lower borrowing rate in the first quarter of 1992. Funds for the reduction of bank debt were provided from proceeds from the sale of marketable equity securities which is discussed later in this section.

In the first quarter of 1992, the Company recorded a $162,000 unrealized loss on marketable equity securities compared to an unrealized loss of $91,000 for the same period in 1991. These write downs are the result of the Company's policy of carrying its marketable equity securities at the lower of aggregate cost or market value.

On December 13, 1991, Latshaw Enterprises sold its shares of marketable equity securities of Bionaire, Inc. for approximately

$2,903,000. This resulted in a realized gain of approximately $721,000. In addition, the Company sold 32,000 shares of Stifel Financial Corp. The result of these transactions was a realized gain for the quarter of $803,000. Proceeds from these sales were used to pay down bank debt.

Unrealized capital loss carryforwards on marketable equity securities of approximately $641,000 have been utilized for financial reporting purposes at February 1, 1992 to offset the net capital gain recorded in the first quarter. Accordingly, the tax benefit of using the unrealized capital loss carryforwards amounting to $218,000 reduces deferred taxes otherwise provided and is reflected as an extraordinary item in the Consolidated Statement of Operations for the quarter ended February 1, 1992.

Latshaw Enterprises had net income for the first quarter of 1992 of $658,000, or $1.12 a share, compared to a loss of $240,000, or 41 cents a share, for the same period in 1991. For 1992, the extraordinary item related to the tax benefit from the utilization of the capital loss carryforward totaled $218,000 or 37 cents per share.

There have been no dividends declared since June 15, 1990. The Company has borrowed $1,342,000 from Mr. John Latshaw, Chairman of the Board, Chief Executive Officer and Managing Director of Latshaw Enterprises, Inc. Management believes the combination of funds available through its bank lines of credit along with anticipated cash flows from operations will provide the capital resources necessary to meet the Company's current working capital needs. However, opportunities may arise in the future that Management feels would enhance the value of the Company that could require financing not currently provided for.

PART II - OTHER INFORMATION

Item 5. - Other Information

The Company issued a press release on December 30, 1991 announcing that the Board of Directors had authorized up to $250,000 for the purchase of outstanding shares of the Company's common stock. The release stated that purchases were expected to be made from time to time in the open market and in privately negotiated transactions as market conditions warranted, and that the shares purchased would be added to the treasury and held for general corporate purposes. As of March 11, 1992, the Company has repurchased 5,000 shares for an aggregate purchase price of $22,582.

Item 6. - Exhibits and Reports on Form 8-K

(a) Exhibits.

(2) Stock Purchase Agreement, dated December 13, 1991, by and between Latshaw Enterprises, Inc. and MJ Partners (incorporated by reference from Exhibit 2 to the Current Report on Form 8-K dated December 13, 1991 filed by the Company with the Commission).

(b) Reports on Form 8-K

(1) The Company filed a Form 8-K dated December 13, 1991, reporting on the sale of 2,036,900 shares of its holdings of the common stock of Bionaire, Inc., a Canadian corporation, to MJ Partners, a Georgia general partnership.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LATSHAW ENTERPRISES, INC.

Michael E. Bukaty
President

David G. Carr
Sr. Vice President

March 12, 1992
Date

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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(MARK ONE)

__X__ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 1992 OR

______ TRANSITION REPORT PURSUANT TO SECTION 13 OR
SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 0-17116

Lindsay Manufacturing Co.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-0554096 (I.R.S. Employer Identification No.)
Box 156, East Highway 91, Lindsay, Nebraska (Address of principal executive offices)	68644 (Zip Code)

402-428-2131
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No____

Common Stock, $1.00 par value Title of Class	4,653,238 Outstanding as of March 13, 1992

Exhibit index is located on page 2.

Total number of pages 15

LINDSAY MANUFACTURING CO. AND CONSOLIDATED SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Lindsay Manufacturing Co.
CONSOLIDATED BALANCE SHEETS
February 29, 1992 and February 28, 1991 and August 31,1991
(in thousands, except share amounts)

	(Unaudited)		
	February 1992	February 1991	August 1991
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,238	$ 2,763	$ 4,215
Marketable securities	11,275	13,920	14,455
Receivables	12,622	11,332	7,327
Inventories	5,187	6,451	9,064
Deferred income taxes	3,097	1,999	2,988
Other current assets	1,745	1,499	1,234
Total current assets	36,164	37,964	39,283
Long-term marketable securities	19,435	5,000	15,525
Property, plant and equipment, net	5,411	5,145	5,392
Other assets	232	159	223
Total assets	$ 61,242	$ 48,268	$ 60,423
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable, trade	$ 4,901	$ 6,676	$ 5,325
Other current liabilities	17,282	13,035	21,559
Total current liabilities	22,183	19,711	26,884
Deferred compensation and other credits	654	636	737
Total liabilities	22,837	20,347	27,621
Stockholders' equity:			
Preferred stock, ($1 par value, 2,000,000 shares authorized, no shares issued and outstanding			
Common stock, ($1 par value, 10,000,000 shares authorized, 4,740,118, 3,158,068 and 4,737,068 shares issued and outstanding in February 1992 and 1991 and August 1991)	4,740	3,158	4,737
Capital in excess of stated value	2,178	3,379	1,799
Retained earnings	32,331	22,228	27,110
Less treasury stock, (at cost, 89,130, 59,420 and 89,130 shares in February 1992 and 1991 and August 1991)	(844)	(844)	(844)
Total stockholders' equity	38,405	27,921	32,802
Total liabilities and stockholders' equity	$ 61,242	$ 48,268	$ 60,423

The accompanying notes are an integral part of the financial statements.

Lindsay Manufacturing Co.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and six months ended February 29, 1992 and February 28, 1991
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	February 1992	February 1991	February 1992	February 1991
Operating revenues	$ 20,180	$ 24,914	$ 52,371	$ 46,994
Cost of operating revenues	15,635	19,886	40,837	37,604
Gross margin	4,545	5,028	11,534	9,390
Operating expenses:				
Selling expense	1,219	957	2,365	1,648
General and administrative expense	1,174	987	2,270	2,039
Engineering and research expense	208	226	452	429
Total operating expenses	2,601	2,170	5,087	4,116
Operating income	1,944	2,858	6,447	5,274
Interest income	532	384	1,103	760
Other income (expense), net	60	26	16	50
Earnings before income taxes	2,536	3,268	7,566	6,084
Income tax provision	735	1,111	2,345	2,068
Net earnings	$ 1,801	$ 2,157	$ 5,221	$ 4,016
Net earnings per share:				
Primary	$ 0.37	$ 0.46	$ 1.08	$ 0.86
Fully diluted	$ 0.37		$ 1.07	

The accompanying notes are an integral part of the financial statements.

Lindsay Manufacturing Co.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended February 29, 1992 and February 28, 1991
(in thousands)
(Unaudited)

	February 1992	February 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 5,221	$ 4,016
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	486	484
Gain on sale of fixed assets	(83)	(43)
Provision for uncollectible accounts receivable	(140)	60
Deferred income taxes	(109)	0
Stock option tax benefits	346	0
Changes in assets and liabilities:		
Receivables	(5,155)	(2,889)
Inventories	3,877	3,342
Other current assets	(511)	36
Accounts payable	(424)	(1,032)
Other current liabilities	(4,239)	(2,254)
Current taxes payable	(38)	811
Other assets and liabilities	(92)	(149)
Net cash flow from (used in) operating activities	(861)	2,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(505)	(960)
Proceeds from sale of property, plant and equipment	83	50
Purchases of marketable securities	(9,620)	(10,000)
Proceeds from sale of marketable securities	8,890	9,560
Net cash flow used in investing activities	(1,152)	(1,350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	36	15
Purchases of treasury stock	0	(155)
Net cash flow from (used in) financing activities	36	(140)
Net increase (decrease) in cash and cash equivalents	(1,977)	892
Cash and cash equivalents, beginning of period	4,215	1,871
Cash and cash equivalents, end of period	$ 2,238	$ 2,763
Supplemental Cash Flow Information:		
Income taxes paid	$ 2,213	$ 1,086

The accompanying notes are an integral part of the financial statements.

Lindsay Manufacturing Co.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

The consolidated financial statements included herein are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the registrant's annual Form 10-K filing. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Lindsay Manufacturing Co. (Lindsay) August 31, 1991 Annual Report to Stockholders.

In the opinion of management the unaudited consolidated financial statements of Lindsay reflect all adjustments of a normal recurring nature necessary to present a fair statement of the results of operations for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected for a full year.

2. Cash Equivalents, Marketable Securities and Long-Term Marketable Securities

Cash equivalents, marketable securities and long-term marketable securities are included at cost, which approximates market. Lindsay considers all highly liquid investments with maturities of 100 days or less to be cash equivalents while those having maturities in excess of 100 days are classified as marketable securities or as long-term marketable securities when it is the company's intent to hold for more than one year. Marketable securities and long-term marketable securities consist primarily of investment-grade municipal bonds.

3. Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for all inventories

	(in thousands)		
	February 1992	February 1991	August 1991
Total manufactured goods			
First-in, first-out inventory	$10,231	$11,769	$13,607
LIFO reserves	(3,991)	(4,156)	(3,403)
Obsolescence reserve	(1,053)	(1,162)	(1,140)
Total inventories	$ 5,187	$ 6,451	$ 9,064

The estimated percentage distribution between major classes of inventory before reserves is as follows:

	February 1992	February 1991	August 1991
Raw materials	16%	15%	16%
Work in process	11%	11%	11%
Purchased parts	30%	39%	30%
Finished goods	43%	35%	43%

4. Property, Plant and Equipment

Property, plant and equipment are stated at cost.

	(in thousands)		
	February 1992	February 1991	August 1991
Land	$ 71	$ 71	$ 71
Buildings	4,214	3,983	4,177
Equipment	15,618	15,297	15,008
Other	1,360	1,751	1,812
	21,263	21,102	21,068
Less accumulated depreciation	15,852	15,957	15,676
Property, plant and equipment, net	$ 5,411	$ 5,145	$ 5,392

5. Credit Arrangements

Lindsay's Revolving Credit Agreement for a $5.0 million unsecured revolving line of credit expired on December 31, 1991, and has not been renewed. There are and have not been any borrowings against this line of credit. Lindsay anticipates entering into a $7.5 million revolving credit agreement within 90 days. Borrowings against this line of credit, if required, would be for working capital purposes.

6. Net Earnings Per Share

Primary net earnings per share are calculated by dividing the earnings by the weighted average number of common and common equivalent (stock options) shares outstanding of 4,839,168 for the three months and 4,824,116 for the six months ended February 29, 1992, while the weighted average number of shares outstanding of 4,647,972 for the three months and 4,649,634 for the six months ended February 28, 1991 were used since the stock options resulted in a dilution of less than three percent for these periods. The difference between shares for primary and fully diluted earnings per share was not significant in any period. On June 21, 1991, the Board of Directors declared a three-for-two split of Lindsay's common stock effective September 16, 1991, to stockholders of record on August 30, 1991. Accordingly, the average number of shares outstanding, per share information and stock option data have been adjusted to reflect the stock split.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

The following table sets out, for the three month and six month periods indicated, the percentages which each component of the consolidated statements of operations bear to operating revenues and the percentage change, based on dollars, of each component as compared to the same period of the prior year.

	Three Months Ended			Six Months Ended		
	Percent of Sales		Percent Change Based on Dollars	Percent of Sales		Percent Change Based on Dollars
	2/29/92	2/28/91		2/29/92	2/28/91	
Operating revenues	100.0%	100.0%	(19.0)%	100.0%	100.0%	11.4%
Cost of operating revenues	77.5	79.8	(21.4)	78.0	80.0	8.6
Gross margin	22.5	20.2	(9.6)	22.0	20.0	22.8
Selling, general and administrative, and engineering and research expenses	12.9	8.7	19.9	9.7	8.8	23.6
Interest and other income (net)	2.9	1.6	44.4	2.2	1.7	38.1
Earnings before income tax	12.5	13.1	(22.4)	14.5	12.9	24.4
Income tax provision	3.6	4.4	(33.8)	4.5	4.4	13.4
Net earnings	8.9%	8.7%	(16.5)%	10.0%	8.5%	30.0%

As the above table displays, operating revenues for the three month period ended February 29, 1992 decreased 19.0 percent ($4.7 million) from its comparable period of the prior year. For the six month period ended February 29, 1992, operating revenues increased 11.4 percent ($5.4 million). The decrease in second quarter revenue is the result of a 19 percent ($2.5 million) increase in North American irrigation equipment revenues being more than offset by a 78 percent ($5.6 million) decrease in export irrigation equipment revenues and a 33 percent ($1.4 million) decrease in diversified product revenues. For the six month period, fiscal 1992 North American and export irrigation equipment revenues were 30 percent ($5.3 million) and 16 percent ($3.1 million) higher, respectively, than the prior year's comparative period. Diversified product revenues for the six month period were off 32 percent ($2.8 million). North American irrigation equipment revenues, for both the three and six month periods, reflect continued strong demand for Zimmatic center pivots. The timing (first quarter versus second quarter) of demand for irrigation equipment in the export market returned to normal in fiscal 1992 after being shifted in fiscal 1991 by the Gulf War. This year's level of second quarter export irrigation equipment revenues is typical for the quarter, but compares unfavorably to the unusually high level of export irrigation equipment revenues from the prior year's second quarter due to the above mentioned phenomenon. The downturn in the domestic economy has caused, temporarily, a contraction in our diversified products business.

Gross margin for the three months ended February 29, 1992, as a percent of operating revenues rose to 22.5 percent from 20.2 percent for the prior year's comparative period. For the six months ended February 29, 1992, gross margin as a percent of operating revenues improved to 22.0 percent from 20.0 percent for the same period of the prior year. Continued strong demand for irrigation equipment in both the North American and export markets for both the three and six month periods resulted in a favorable pricing environment. Additionally, the higher level of irrigation equipment revenues in our product mix for both the three and six month periods favorably impacted gross margin as a percent of sales.

Selling, general and administrative, and engineering and research expenses for the three month period ended February 29, 1992, rose to $2.6 million from $2.2 million of the prior year's comparative period. For the six month period, fiscal 1992 selling, general and administrative, and engineering and research expenses totaled $5.1 million as compared to $4.1 million in fiscal 1991. Increased expenditures for advertising and marketing activities are responsible for $.5 million of the increase in selling, general and administrative, and engineering and research expenses. Higher legal fees, insurance, and salary and wage expenses (partially offset by lower bad debt expense) are responsible for the balance of the increase.

An effective tax rate of 29.0 percent for the three month period ended February 29, 1992 and 32.0 percent for the three month period ended November 30, 1991 results in an effective tax rate of 31.0 percent for the first six months of fiscal 1992. This compares to an effective tax rate of 34.0 percent for the first six months of fiscal 1991. Due to its export sales (and the Foreign Sales Corporation tax provisions) and the tax free status of interest earned on municipal bonds (for federal income tax purposes) , Lindsay expects to continue to benefit from an effective tax rate that is lower than the combined federal and state statutory rates (currently estimated at 40 percent).

FINANCIAL CONDITION

Lindsay's equity increased to $38.4 million at February 29, 1992 from $32.8 million at August 31, 1991, as a result of net earnings of $5.2 million and employee stock option tax benefits of $0.4 million.

Lindsay's cash and short-term marketable securities totaled $13.5 million at February 29, 1992, as compared to $18.7 million at August 31, 1991, and $16.7 million at February 28, 1991. Inventories at February 29, 1992 decreased $3.9 million from August 31, 1991, due to the shipment in the first quarter of fiscal 1992 of significant quantities of irrigation equipment which customers had on order from the company at the end of fiscal 1991. As compared to February 28, 1991, inventories were $1.3 million lower due to an effort by the company to reduce inventory in fiscal year 1992 from fiscal year 1991 levels. The increase in receivables at February 29, 1992, as compared to both August 31, 1991, and February 28, 1991, was due to the higher level of North American irrigation equipment sales activity during the second quarter of fiscal year 1992. At February 29, 1992, Lindsay had $19.4 million invested in long-term marketable securities which represent intermediate term (one to three year maturities) municipal debt. This is up from $15.5 million at August 31, 1991, and $5.0 million at February 28, 1991.

Current liabilities of $22.2 million at February 29, 1992 are lower than their $26.9 million balance at August 31, 1991, but higher than their $19.7 million balance at February 28, 1991. The reduction from August 31, 1991, is principally due to a lower level of international dealer prepayments and export freight accrual. The increase from the February 28, 1991 balance is primarily due to increased accruals and international dealer prepayments.

Lindsay's Revolving Credit Agreement for a $5.0 million unsecured revolving line of credit expired on December 31, 1991, and has not been renewed. There are and have not been any borrowings against this line of credit. Lindsay anticipates entering into a $7.5 million revolving credit agreement within 90 days. Any borrowings against this line of credit, if required, will be used for working capital purposes.

Capital expenditures totaling $505,000 for the first six months of 1992 were used primarily for upgrading manufacturing plant equipment. Lindsay expects its 1992 capital expenditures to be approximately $1.0 to $1.5 million which will be used principally to improve Lindsay's existing facilities and expand its manufacturing capabilities.

Lindsay believes its capitalization (including cash and marketable securities balances) and operating cash flow are sufficient to cover expected working capital needs and planned capital expenditures.

SEASONALITY

Irrigation equipment sales are seasonal by nature. Farmers generally order systems to be delivered and installed before the growing season. Shipments to domestic customers usually peak during March and April for the spring planting period. Shipments to Saudi Arabia, for their November to January planting season, occur primarily between July and December. Lindsay's diversified manufacturing complements its irrigation operations by using available capacity and reducing seasonality.

OTHER FACTORS

Lindsay's sales are highly dependent upon the need for irrigated agricultural production, both domestic and international, which, in turn, depends upon many factors, including total worldwide crop production, profitability of agricultural production, commodity prices, aggregate net farm income, governmental policies regarding the agricultural sector, water and energy conservation policies, and regularity of rainfall.

Approximately 42 and 40 percent of Lindsay's operating revenues for the first six months of 1992 and 1991 respectively, were generated from export sales. For the full year of 1991, approximately 37 percent of Lindsay's operating revenues were generated from export sales. Lindsay does not believe it has significant exposure to foreign currency translation risks. Lindsay's export sales are all in United States dollars and are essentially all shipped against prepayments or backed by irrevocable letters of credit which are confirmed by U.S. banks.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 1992, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 mandates use of the liability method for computing deferred income taxes and requires adoption in fiscal 1994 or earlier. Lindsay has not yet determined when it will adopt SFAS 109; therefore, the effect of this statement on Lindsay's financial statements upon adoption cannot at this time be reasonably estimated. However, management believes that the current adoption of SFAS 109 would have little effect on earnings.

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

Lindsay is a party to a number of lawsuits arising from environmental and other issues in the ordinary course of its business. Management does not believe that these lawsuits, either individually or in the aggregate, are likely to have a material adverse effect on Lindsay's financial condition.

In December 1982, a drill operated by a subcontractor installing groundwater monitoring wells at the Lindsay, Nebraska plant punctured through a silt and sand lens and an underlying clay layer beneath a clay-lined lagoon. The lagoon had been utilized by Lindsay for the disposal of spent acid and solvents used to clean metal parts prior to galvanizing or painting, and some of these acids and solvents settled in the underlying silt and sand lens above the clay layer. The puncture caused acid and solvent leachate which was in the silt and sand lens to flow by gravity through the underlying clay layer and into the sand and gravel aquifer below. Contamination has been found in the aquifer below the plant site.

Since 1983, Lindsay has cooperated with the Nebraska Department of Environmental Control ("NDEC") in purging and treating the contaminated aquifer. This remedial work by Lindsay has been conducted pursuant to an agreement between the NDEC and Lindsay. In 1984, and again in 1988, the Environmental Protection Agency ("EPA") proposed that the Lindsay site be included in the list of priority sites under Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund"). In October 1989, the EPA added the Lindsay site to the final list of priority Superfund sites. On December 31, 1988, Lindsay and the NDEC, on behalf of the State of Nebraska and the EPA, entered into a Stipulation and Agreement. Per this agreement, Lindsay has conducted and financed a Remedial Investigation/Feasibility Study ("RI/FS") in accordance with the State of Nebraska and EPA requirements and is paying for oversight costs and associated enforcement costs. In 1988, sampling which was performed in connection with an investigation of the extent of aquifer groundwater contamination revealed solvent contamination (volatile organic compounds) in the soil and shallow groundwater in three locations at and in the vicinity of the plant. Lindsay believes that other than the above, there is no other soil or groundwater contamination at the plant facility.

In September of 1990 the EPA issued its Record of Decision ("ROD") selecting a plan for completing the remediation of both the above discussed aquifer, and soil and shallow groundwater contaminations. The plan selected by the EPA proposes continued aquifer remediation to a degree and at a cost estimate which was in line with Lindsay's expectations. However, the plan selected by the EPA proposes a higher degree of remediation of the soil and shallow groundwater contaminated by volatile organic chemicals than Lindsay had previously expected. Prior to the fourth quarter of FY90, Lindsay had accrued $0.6 million for future expenses it expected to incur within the next one to five years to complete the environmental remediation. In the fourth quarter of FY90, due to the plan selected by the EPA in its ROD, Lindsay increased this accrual by $2.9 million to $3.5 million. The selected plan implementation has been delayed until finalization of the Consent Decree, which has been signed by Lindsay and the Department of Justice, has been filed with the court, but has not been signed by the court. Therefore, Lindsay recognized an additional accrual of $0.6 million in the fourth quarter of FY91, increasing the total accrual to $4.1 million at FY91 year end and February 29, 1992. This accrual is based on an estimate of the total cost for complete remediation of both contaminations net of expected recovery from Lindsay's insurer.

Lindsay believes that its insurance should cover costs of cleaning up contamination of the aquifer that was caused by the puncture of the clay layer, costs of any litigation resulting therefrom, and any claims of bodily injury or property damage allegedly resulting from such contamination.

If the EPA or the NDEC require remediation which is in addition to or different from that presently proposed in the ROD, Lindsay's expected cost could increase or decrease, depending on the nature of the change.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

4 - Specimen Form of Common Stock Certificate incorporated by reference to Exhibit 4 of Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 33-23084), filed September 23, 1988.

11 - Statement re Computation of Per Share Earnings.

(b) Reports on Form 8-K -

No Form 8-K was filed during the quarter ended February 29, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LINDSAY MANUFACTURING CO.

Date: March 20, 1992

Gary D. Parker
Chairman, President and Chief Executive Officer

Date: March 20, 1992

Bruce C. Karsk
Vice President - Finance, Treasurer and Secretary;
Principal Financial and Accounting Officer

Date: March 20, 1992

Ralph J. Kroenke
Controller

EXHIBIT 11

Lindsay Manufacturing Co.
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
For the three months and six months ended February 29, 1992 and February 28, 1991
(Dollars in thousands except per share amounts)
(Unaudited)

COMPUTATION OF PRIMARY PER SHARE EARNINGS

	Three Months Ended		Six Months Ended	
	February 1992	February 1991	February 1992	February 1991
1. Weighted average shares outstanding........	4,649,414	4,647,972	4,648,838	4,649,634
2. Net additional shares outstanding assuming dilutive stock options exercised and proceeds used to purchase treasury stock	189,754	60,384	175,278	30,446
3. Average number of common and common equivalent shares outstanding...........	4,839,168	4,708,356	4,824,116	4,680,080
4. Net earnings for per share computation.....	$ 1,801	$ 2,157	$ 5,221	$ 4,016
5. Net earnings per average common and common equivalent shares outstanding...........	$ 0.37	$ 0.46	$ 1.08	$ 0.86

COMPUTATION OF FULLY DILUTED PER SHARE EARNINGS

	Three Months Ended		Six Months Ended	
	February 1992	February 1991	February 1992	February 1991
1. Weighted average shares outstanding........	4,649,414	4,647,972	4,648,838	4,649,634
2. Net additional shares outstanding assuming dilutive stock options exercised and proceeds used to purchase treasury stock	213,952	109,701	213,952	109,701
3. Average number of common and common equivalent shares outstanding...........	4,863,366	4,757,673	4,862,790	4,759,335
4. Net earnings for per share computation.....	$ 1,801	$ 2,157	$ 5,221	$ 4,016
5. Net earnings per average common and common equivalent shares outstanding...........	$ 0.37	$ 0.45	$ 1.07	$ 0.84

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FORM 10-Q

ES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 1991

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 014699

MARIETTA CORPORATION
(Exact name of Registrant as specified in its Charter)

New York	16-1074992
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
37 Huntington Street, Cortland, New York	13045
(Address of Principal Executive Offices)	(Zip Code)

(607) 753-6746
(Registrant's Telephone Number, including area code)

Not Applicable
(Former name, former address, and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

As of February 28, 1992, there were outstanding 3,570,172 shares of the registrant's Common Stock, par value $.01 per share.

MARIETTA CORPORATION

FORM 10-Q

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INTRODUCTORY NOTES

PART I FINANCIAL INFORMATION:

Item 1. Financial Statements.

- Consolidated Statements of Income
- Consolidated Balance Sheets
- Consolidated Statements of Cash Flows
- Notes to Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II OTHER INFORMATION

None Applicable.

SIGNATURES

INTRODUCTORY NOTES

During October 1991, Marietta Corporation (the "Company" or "Marietta") announced that it had discovered evidence of embezzlement of funds by a former financial officer and of other financial irregularities, and had directed its auditors, Coopers & Lybrand, and its company counsel, Rubin Baum Levin Constant & Friedman, to conduct an internal investigation, and appointed a Special Committee of the Board, consisting of two independent directors, to oversee the inquiry. The Special Committee retained the law firm of Andrew M. Lawler, P.C., which in turn retained the firm of Deloitte & Touche, to advise and assist the Special Committee.

The investigation has identified misstatements in Marietta's quarterly and annual financial statements which principally involve overstatements of fixed assets, sales, income and retained earnings. The Company has filed amendments on Form 8 to its previously filed Annual Reports on Form 10-K for the years ended September 30, 1987, 1988, 1989 and 1990 which contain restated financial statements for those years together with the opinions on the restated financial statements from Coopers & Lybrand.

The previously reported earnings on a pre-tax basis for the fiscal years ended September 30, 1987, 1988 and 1989 have been overstated by $234,243, $251,705 and $998,201, respectively. The previously reported earnings for the fiscal year ended September 30, 1990 were correctly stated, although there were misstatements in the financial statements for that year. The previously issued quarterly reports for those years may reflect misstatements of a greater or lesser magnitude than the above. A determination has not been made as to whether Marietta can recover any tax benefits from the estimated adjustments in earnings.

As previously reported, the amount embezzled by the former financial officer appears to be approximately $400,000.

Marietta promptly advised appropriate law enforcement offices and the Securities and Exchange Commission of the discovery of the embezzlement and of the financial statement irregularities and has kept those agencies advised of the progress of the investigation. Although the Company has not been formally notified thereof, the Securities and Exchange Commission and the United States Attorney for the Northern District of New York are each conducting independent investigations of the matters described above.

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS.

MARIETTA CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,	
	1991	1990
NET SALES	$12,579,370	$11,821,721
COST OF SALES	9,809,247	9,055,404
GROSS PROFIT	2,770,123	2,766,317
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	3,062,330	3,185,322
OPERATING LOSS	(292,207)	(419,005)
OTHER EXPENSE, NET	93,528	183,036
LOSS BEFORE INCOME TAXES	(385,735)	(602,041)
INCOME TAXES	(81,148)	(157,294)
NET LOSS	($304,587)	($444,747)
NET LOSS PER SHARE	($0.09)	($0.12)
WEIGHTED AVERAGE SHARES OUTSTANDING	3,570,172	3,655,488

MARIETTA CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31, 1991 (UNAUDITED)	SEPTEMBER 30, 1991
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$4,251,550	$5,698,103
MARKETABLE SECURITIES	1,332,463	106,283
ACCOUNTS RECEIVABLE, NET	6,606,886	8,736,148
INVENTORIES	12,637,277	12,290,298
REFUNDABLE INCOME TAXES	676,179	509,219
OTHER CURRENT ASSETS	242,927	409,910
TOTAL CURRENT ASSETS	25,747,282	27,749,961
PROPERTY, PLANT AND EQUIPMENT, NET	23,273,664	23,579,714
RESTRICTED CASH	1,200,000	1,100,000
EXCESS OF COST OVER NET ASSETS ACQUIRED	3,708,857	3,747,246
OTHER ASSETS	2,457,295	2,194,706
TOTAL ASSETS	$56,387,098	$58,371,62
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$2,866,640	$3,143,18
ACCRUED PAYROLL	571,166	699,52
ACCRUED EXPENSES	946,039	1,147,17
CURRENT PORTION OF LONG-TERM DEBT	387,815	386,65
INCOME TAXES PAYABLE	134,652	148,21
TOTAL CURRENT LIABILITIES	4,906,312	5,524,75
LONG-TERM DEBT	9,767,512	10,777,90
CONVERTIBLE SUBORDINATED NOTE	261,840	260,76
DEFERRED INCOME TAXES	595,957	595,95
OTHER LIABILITIES	473,122	410,58
TOTAL LIABILITIES	16,004,743	17,569,95
SHAREHOLDERS' EQUITY:		
PREFERRED STOCK, $.01 PAR VALUE, AUTHORIZED 1,000,000 SHARES		
COMMON STOCK, $.01 PAR VALUE, AUTHORIZED 10,000,000 SHARES, ISSUED 3,996,268 AND 3,996,268 SHARES, RESPECTIVELY	39,962	39,96
ADDITIONAL PAID-IN CAPITAL	36,750,769	36,750,76
COMMON STOCK NOTES RECEIVABLE	(886,950)	(886,95
TREASURY STOCK	(4,038,167)	(4,038,16
RETAINED EARNINGS	8,488,027	8,792,61
EQUITY ADJUSTMENT FROM FOREIGN CURRENCY TRANSLATION	28,714	143,4
TOTAL SHAREHOLDERS' EQUITY	40,382,355	40,801,6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$56,387,098	$58,371,6

MARIETTA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31, 1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ (304,587)	$ (444,747
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	850,941	895,566
PROVISION FOR DOUBTFUL ACCOUNTS	57,893	31,588
PROVISION FOR INVENTORY OBSOLESENCE	163,156	37,740
DEFERRED COMPENSATION	62,535	72,402
DEFERRED INCOME TAXES		(22,500)
CHANGES IN ASSETS AND LIABILITIES:		
ACCOUNTS RECEIVABLE	2,051,519	2,894,400
INVENTORIES	(542,392)	(2,187,330)
OTHER CURRENT ASSETS	165,023	(98,126)
OTHER ASSETS	(432,045)	(14,508)
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(599,257)	162,883
INCOME TAXES	(180,566)	(421,186)
NET CASH PROVIDED BY OPERATIONS	1,292,220	906,182
CASH FLOWS FROM INVESTING ACTIVITIES:		
CAPITAL EXPENDITURES	(485,270)	(627,866)
PURCHASES OF MARKETABLE SECURITIES	(1,226,180)	(60,000)
NET CASH USED IN INVESTING ACTIVITIES	(1,711,450)	(687,866)
CASH FLOWS FROM FINANCING ACTIVITIES:		
NET PROCEEDS UNDER REVOLVING CREDIT LOAN		125,000
PAYMENTS OF LONG-TERM DEBT	(1,009,229)	(148,019)
PURCHASE OF TREASURY STOCK		(778,125)
NET CASH USED BY FINANCING ACTIVITIES	(1,009,229)	(801,144)
EFFECT OF FOREIGN CURRENCY TRANSLATION	(18,094)	(2,435)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,446,553)	(585,262)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,698,103	4,675,508
CASH AND CASH EQUIVALENTS, END OF PERIOD	$4,251,550	$4,090,246
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH, PAID DURING THE YEAR FOR:		
INTEREST	$210,592	$168,030
INCOME TAXES	101,913	329,000

MARIETTA CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The statements for the period ended December 31, 1991 are unaudited. In the opinion of the Company the statements include all adjustments necessary for a fair presentation of the results for the periods. The results of operations for the three months ended December 31, 1991 are not necessarily indicative of the results of operations to be expected for the year ending September 30, 1992. The weighted average shares outstanding December 31, 1990 have been corrected in this report to 3,655,488 from the 3,459,672 shares previously reported on Form 10-Q.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjunction with the audited financial statements and notes thereto for the year ended September 30, 1991 included in the Company's Annual Report on Form 10-K.

A purported class action has been commenced against the Company by two stockholders who purchased stock at various times during 1989 and 1991. The cause of action alleges, among other things, misrepresentation in or omissions from various financial statements prepared by the Company. The action seeks an unspecified amount of damages. No assurances can be given as to the outcome of this litigation, which could have a material adverse effect on the Company.

During fiscal 1991 the Company developed and commenced implementation of new cost accounting, inventory control, and production planning systems to enable management to receive the information necessary to better manage and control the operations, inventories and other assets of the Company. Implementation of these improved systems and controls has been substantially completed during the first quarter of fiscal 1992. In connection with the investigation of the irregularities of the Company's financial statements referred to in the Introductory Notes and the audit of the Company's financial statements for the year ended September 30, 1991, no independent audit was made of quarterly periods during fiscal 1991. As a result of the above factors, certain amounts in the fiscal quarter to fiscal quarter comparisons contained in this report may not be directly comparable; however, management believes that the overall results of operations are comparable in all material respects.

Note 2. Inventories.

Inventories are stated at lower of cost or market. Cost is determined on the first-in, first-out method.

Inventories consisted of the following:

	December 31, 1991	September 30, 1991
Raw materials and supplies	$ 5,740,036	$ 5,846,347
Finished goods	6,897,241	6,443,951
	$12,637,277	$12,290,298

ITEM 2. Management's Discussion and Analysis

of Financial Condition and Results of Operations

Results of Operations

Net sales increased in the quarter ended December 31, 1991 by [illegible] to [illegible] from $11,821,721 in the prior year's first quarter. The increase of [illegible] was attributable to an increase in custom packaging sales.

For the first quarter of fiscal 1992 the Company's gross profit margin decreased to 22.0% from 23.4% during the same period of fiscal 1991. Manufacturing costs at the Company's soap manufacturing facility were geared to a higher level of sales than attained thus having a negative impact on the [illegible]. The Company has initiated a concentrated effort to reduce costs with an emphasis on improved scheduling, production control, cost measurement and [illegible] control.

Selling, general and administrative expenses, as a percent of sales, decreased to 24.3% in the current quarter from 26.9% in the first quarter of [illegible].

Other expense, net represents the netting of interest expense and investment income. The investment income of $[illegible] in the current quarter compares favorably with $119,000 in the prior year's first quarter. Interest expense has decreased substantially from $302,000 in last year's first quarter to $[illegible] this year due to the repayment of long term debt.

Marietta's effective income tax rate for federal, state and foreign income taxes was 26.1% in the first quarter of 1991 as compared to [illegible] for the first quarter of fiscal 1992. In both periods the benefits of the Company's federal tax loss carryback were partially offset by state franchise equity taxes and the inability to utilize a foreign loss as a carryback.

As a result of the above factors the net loss decreased from [illegible] in the first quarter of fiscal 1991 to a loss of $[illegible] in this year's first quarter.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

PART II

OTHER INFORMATION

No applicable items

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARIETTA CORPORATION

Date: March 26, 1992
By:
John S. Nadolski, President and
Chief Executive Officer

Date: March 26, 1992
By:
William T. Nanovsky,
Senior Vice President and
Principal Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARIETTA CORPORATION

Date: March 26, 1992 By: /s/ John S. Nadolski

John S. Nadolski, President and
Chief Executive Officer

Date: March 26, 1992 By: /s/ William T. Nanovsky

William T. Nanovsky,
Senior Vice President and
Principal Financial Officer

RECD S.E.C.
MAR 6 1992

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[redacted]
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Q-34966

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Q92-2234

[XX] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED DECEMBER 31, 1991

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-11043

ORION FINANCIAL, LTD.
(Exact name of Registrant as
specified in its charter)

Colorado
(State of other jurisdiction of
incorporation or organization)

84-0858679
(IRS Employer Identification No.)

222 East Huntington Drive
Suite 211
Monrovia, CA
(Address of Principal Executive
offices)

91016
(Zip Code)

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Q-Data Corp. - St. Petersburg, FL

Registrant's telephone number,
including area code:

(818) 304-4167

Indicate whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2), has been subject to such filing requirements for the past 90 days.

Yes X No____

As of December 31, 1991, Registrant had 4,641,522 shares of its no par value common stock issued and outstanding.

9 Total Pages

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ORION FINANCIAL, LTD.
AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 1991

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*The accompanying financial statements are not covered by an Independent Certified Public Accountant's Report.

ORION FINANCIAL, LTD.
AND SUBSIDIARIES
BALANCE SHEETS
(UNAUDITED)
ASSETS

	12/31/91	6/30/91
CURRENT ASSETS:		
Cash	$201,000	$539,000
Short Term Investments at cost	0	1,994,000
Receivables		
Net of allowance for doubtful accounts	487,000	530,000
Stockholder Notes	74,000	78,000
Other	102,000	103,000
Prepaid Expenses	124,000	94,000
Total Current Assets	988,000	3,338,000
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost, net	612,000	566,000
COMPUTER SOFTWARE, at cost, net	369,000	218,000
OTHER ASSETS:		
Interest in real estate held for resale, at cost	13,000	13,000
Notes Receivable - employees	33,000	33,000
Restricted Cash	98,000	98,000
Other Assets	158,000	222,000
	1,283,000	1,150,000
EXCESS OF PURCHASE PRICE OVER FAIR VALUE OF NET ASSETS ACQUIRED	599,000	606,000
TOTAL ASSETS	$2,870,000	$5,094,000

The accompanying notes are an integral part of these financial statements.

ORION FINANCIAL, LTD.
AND SUBSIDIARIES
BALANCE SHEETS
(UNAUDITED)
LIABILITIES & STOCKHOLDER'S EQUITY

	12/31/91	6/30/91
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt		
Financial Institutions	$388,000	$2,107,000
Stockholders	35,000	37,000
Capital Leases	42,000	43,000
Accounts payable	592,000	545,000
Accrued Expenses	105,000	191,000
Deferred Rent	28,000	0
TOTAL CURRENT LIABILITIES	1,190,000	2,923,000
LONG TERM DEBT, net of current portion		
Financial Institutions	0	109,000
Capital Leases	31,000	34,000
MINORITY INTEREST	(2,000)	19,000
COMMITMENTS		
STOCKHOLDER'S EQUITY:		
Preferred stock, no par value; 200,000,000 shares authorized; no shares issued or outstanding.		
Common stock, stated value of $.08 a share; 200,000,000 shares authorized, 4,641,552 shares issued and outstanding	409,000	409,000
Additional paid-in capital	4,632,000	4,632,000
Accumulated deficit	(3,359,000)	(3,001,000)
Treasury Stock, at Cost	(31,000)	(31,000)
TOTAL STOCKHOLDER'S EQUITY	1,651,000	2,009,000
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$2,870,000	$5,094,000

The accompanying notes are an integral part of these financial statements

ORION FINANCIAL, LTD.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	FOR THREE MONTHS ENDED DECEMBER 31		FOR SIX MONTHS ENDED DECEMBER 31	
	1991	1990	1991	1990
REVENUE:				
Real Estate Development Servicing Fees	$729,000	$820,000	1,449,000	$1,661,000
Installment and Rental Collection Fees	496,000	621,000	1,059,000	1,240,000
Consumer Loan Servicing Fees	393,000	0	799,000	0
Escrow Services	0	31,000	0	48,000
Interest Income	9,000	73,000	30,000	150,000
TOTAL REVENUE	1,627,000	1,545,000	3,337,000	3,099,000
COSTS AND EXPENSES:				
General and Administrative	1,700,000	1,477,000	3,400,000	2,884,000
Operating Reserves	12,000	12,000	24,000	24,000
Depreciation and Amortization	70,000	69,000	137,000	147,000
Promotion and Advertising	81,000	63,000	148,000	101,000
Interest Expense	4,000	6,000	6,000	12,000
TOTAL EXPENSES	1,867,000	1,627,000	3,715,000	3,168,000
INCOME (LOSS) FROM CONTINUING OPERATIONS	(240,000)	(82,000)	(378,000)	(69,000)
Minority Interest in Subsidiary	(14,000)	(11,000)	(21,000)	(12,000)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	0	4,000	(1,000)	9,000
NET INCOME(LOSS)	($226,000)		($358,000)	($48,000)
Net Income (Loss)from Continuing Operations Per Common Share	(0.05)	(0.02)	(0.08)	(0.01)
Net Income (Loss) from Discontinued Operations Per Common Share	-	-	-	-
Net Income (Loss) Per Common Share	($0.05)	$0.00	($0.08)	($0.01)
Weighted Average of Common Shares Outstanding	4,641,552	4,666,522	4,641,552	4,666,522

The accompanying notes are an integral part of these financial statements.

ORION FINANCIAL, LTD.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	FOR SIX MONTHS ENDED DECEMBER 31	
	1991	1990
NET INCOME	($358,000)	($48,000)
NON CASH EXPENSES, REVENUES AND LOSSES INCLUDED IN INCOME:		
DEPRECIATION AND AMORTIZATION	137,000	147,000
OPERATING RESERVES	12,000	12,000
ALLOWANCE FOR DOUBTFUL ACCOUNTS	12,000	12,000
MINORITY INTEREST	(21,000)	(12,000)
(INCREASE) DECREASE IN Receivables	31,000	(110,000)
(INCREASE) DECREASE IN Stockholder Notes	4,000	0
(INCREASE) DECREASE IN Other Receivables	1,000	31,000
(INCREASE) DECREASE IN Prepaid Expenses	(30,000)	37,000
INCREASE (DECREASE) IN Accounts Payable and Accrued Expenses	(51,000)	(94,000)
INCREASE (DECREASE) IN Deferred Rent	28,000	(24,000)
NET CASH FLOW FROM OPERATING ACTIVITIES	(235,000)	(49,000)
CASH FLOW FROM INVESTING:		
CAPITAL EXPENDITURES	(327,000)	0
PROCEEDS FROM SALE OF ASSETS	0	47,000
PURCHASE OF NONCASH EQUIVALENTS	1,994,000	(1,900,000)
COLLECTION OF OTHER RECEIVABLES	64,000	51,000
NET BORROWING ON LINE OF CREDIT	(1,719,000)	1,817,000
NET CASH FLOW FROM INVESTMENT ACTIVITIES	12,000	15,000
CASH FLOW FROM FINANCING:		
PURCHASE OF TREASURY STOCK	0	(28,000)
PRINCIPAL PAYMENTS ON TERM DEBT	(115,000)	(11,000)
NET CASH FROM FINANCING ACTIVITIES	(115,000)	(39,000)
NET INCREASE (DECREASE) IN CASH	($338,000)	($73,000)

The accompanying notes are an integral part of these financial statements

ORION FINANCIAL, LTD.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL:

Orion Financial, Ltd., (the "Company"), has elected to substantially omit footnotes to the Consolidated Financial Statements for the six months ended December 31, 1991, since there have been no material changes to the information previously reported by the Company in its annual report filed on Form 10-K, for the year ended June 30, 1991.

2. UNAUDITED INFORMATION:

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results for the interim periods presented. The information presented is indicative of the results from operations expected for the full fiscal year.

3. SUBSEQUENT EVENTS:

In January 1992, the Company was informed that its request for an abatement of a $250,000 civil penalty, by the Internal Revenue Service ("IRS"), as previously described in footnote 10 of Form 10-K dated June 30, 1991, was denied. The IRS asserts that the penalty stems from missing social security numbers in the 1989 year end Form 1098 and 1099 filings, which the Company performs for its contract collection and timeshare customers. The Company feels that it exercised adequate due diligence to obtain social security numbers and will vigorously contest the penalty. The Company cannot assess the ultimate outcome at this time.

In February 1992, the Resolution Trust Corporation ("RTC"), informed the Company that the RTC does not intend to perform under its November 20, 1991, contract whereby the Company began servicing the consumer loan portfolios of Imperial Federal Savings ("Imperial") on behalf of the RTC. The Company has filed written protests with the RTC and is pursuing litigation against the RTC for breach of contract. The breach of contract by the RTC had a significant adverse effect on the Company, due to the tremendous expenditures made by the Company in order to perform its obligations under the contract.

ORION FINANCIAL, LTD.
AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Orion Financial, Ltd. (the "Company"), has used a significant portion of its working capital resources during the six months ended December 31, 1991. This was primarily due to the Company preparing to service a significant portfolio of consumer loans on behalf of the Resolution Trust Corporation ("RTC"), as receiver for Imperial Federal Savings. The Company has experienced tremendous negative cash flow due to increased staffing costs and other general and administrative expenses incurred in anticipation of the servicing of the portfolio. In addition, the Company has entered into over $900,000 of purchase agreements and lease contracts for equipment and software applications in connection with the project. As a result of the RTC canceling the contract with the Company, the Company has begun discussions to cancel or amend these purchase agreements and lease contracts.

The Company is currently experiencing a severe liquidity problem and is delaying payment to numerous creditors. The Company does not have sufficient working capital to continue as a going concern for the next year. Management is reviewing all options available including filing for protection under bankruptcy laws, while the Company attempts to restructure its business.

RESULTS OF OPERATIONS

The Company reported a net loss of $226,000 for the three months ended December 31, 1991, as compared to a net loss of $67,000 for the three months ended December 31, 1990. Revenues increased marginally from the prior year and this is attributable to some servicing conducted on behalf of the RTC. The revenue generated by the Company under its contracts with the RTC is significantly less than previously anticipated. Revenue generated from the servicing of timeshare resorts is down 12% in comparison to the prior year and this trend is expected to continue as portfolios of loans mature, loans are paid, and resort developers look for less expensive servicing alternatives.

Expenses increased approximately 15% in comparison to the prior year and this was primarily attributable to the RTC contracts. The Company increased staffing levels significantly due to the anticipated servicing of the Imperial Federal Savings portfolio. Salary expense specifically related to the anticipated servicing approximated $100,000 for the quarter ended December 31, 1991. In addition, travel, entertainment, overtime, and temporary help, increased a total of $45,000 in comparison to the previous quarter ended September 30, 1991, and this was mainly attributable to the Imperial contracts.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ORION FINANCIAL, LTD.

By: Tom Breen
Thomas A. Breen

President, Principal Executive Officer,
Principal Financial Officer, and Principal
Accounting Officer

Date: March 2, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

RTERLY REPORT UNDER SECTION 13 OR 15(d) OF
SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER FEBRUARY 29, 1992
COMMISSION FILE NUMBER: 33-24139

R92-2234

RAINSHINE CORPORATION

Delaware Corporation IRS Employee ID Number: 55-0683379
Post Office Box 151, Wellsburg, WV 26070
304/737-0681

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: COMMON Stock, par value $0.0001 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements requirements for the past 90 days.

YES__x__ NO_____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

CLASS	NUMBER OF SHARES OUTSTANDING ON FEBRUARY 29, 1992
Common Stock par value $0.0001 per share	3,100,945
Warrants Series A Redeemable Common Stock Purchase Warrants Entitling Holder to Purchase One Share of Common Stock for $1.00 per share	2,699,055

RAINSHINE CORPORATION

WELLSBURG, WEST VIRGINIA

FINANCIAL STATEMENT

RAINSHINE CORPORATION
(A Development Stage Company)

BALANCE SHEET
FEBRUARY 29, 1992

ASSETS

CASH	$	956
OTHER ASSETS, organization costs, less amortization of $23		84
	$	1,040

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Advances from related corporation	$	75
STOCKHOLDERS' EQUITY		
Common stock, par value $.00001 per share; 50,000,000 shares authorized; 3,100,945 shares issued and outstanding		31
Additional paid-in capital		1,005
Deficit accumulated during the development stage		(71)
	$	1,040

RAINSHINE CORPORATION
(A Development Stage Company)

STATEMENT OF INCOME

Period: Ended FEBRUARY 29, 1992

Revenue	$	-0-
Operating Expenses:	$	-0-
Company Inactive During Period		

RAINSHINE CORPORATION
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY
FEBRUARY 29, 1992

	Common Stock Issued	Additional Paid in Capital	Deficit Accumulated During the Development Stage
Balance, September 1, 1989	$30	$60	$ (1)
Net (loss)	--	--	(71)
Balance, February 29, 1992	$31	$1,005	$(72)

RAINSHINE CORPORATION
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Nature of Business

Rainshine Corporation, (a development stage company), was incorporated on August 8, 1988, under the laws of the state of Delaware. Management refers to the company ass a "blind pool" or "blank check" company. Its primary business purpose will be to seek out and obtain an acquisition and/or merger transaction whereby its stockholders will benefit. It has had no substantial operations or substantial assets since inception.

NOTE 2 Significant Accounting Policies

Income Taxes - The company provides for deferred income taxes on the timing differences between the financial statement and taxable income. The company currently has no provision for federal income tax, as it is currently operating at a loss.

Organization costs - The company is capitalizing the costs of organization, registration of its securities, and acquisition of business combination partner. Organization costs are stated at cost. Amortization is computed by the straight-line method over sixty months beginning August 8, 1988. Any unamortized amounts will be written-off at such time that it may be determined that the company has been unsuccessful in its efforts to attract a suitable partner.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

RAINSHINE CORPORATION is a development stage company that was formed as a Delaware corporation on August 8, 1988, as a wholly owned subsidiary of Family Health Systems, Inc. and it received 3,000,000 shares of RAINSHINE common stock $.0001 par value for $1,200. FHS filed a Form S-1 Registration Statement under the Securities Act of 1933 for the registration and distribution to the shareholders of FHS of 2,700,000 shares of RAINSHINE stock upon the registration becoming effective. Said registration was ordered effective as of November 14, 1988. Said registered shares were distributed to approximately 900 FHS shareholders immediately thereafter.

RAINSHINE has not yet conducted any business and there are no present plans or commitments with respect to any given business or industry and no assurance can be given that the company will be able to acquire suitable business opportunities or that such business opportunities, if acquired, would be successful.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

NONE

ITEM 2. CHANGES IN SECURITIES.

NONE

ITEM 3.DEFAULTS UPON SENIOR SECURITIES.

NONE

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

NONE

ITEM 5 OTHER INFORMATION.

NONE

ITEM 6. EXHIBITS AND REPORTS ON 8-K.

NONE

SIGNATURES

Pursuant to the requirements of the Security Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAINSHINE CORPORATION
(Registrant)

MARCH 2, 1992
Date

Donald C. Carman, President
Treasurer, Principal Financial
Officer and Chairman of the
Board of Directors

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAY 14 1992

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For Quarterly Period Ended March 31, 1992

S92-2234

Commission File # 2-76555

SDN BANCORP

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

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95-3683748
(I.R.S. Employer Identification No.)

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Q-Data Corp. - St. Petersburg, FL

135 Saxony Road, Encinitas, California
(Address of principal executive offices)

92024-0905
(Zip Code)

Registrant's telephone number, including area code 619-436-6888

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value	564,145
Class	Outstanding on March 31, 1992

SDN BANCORP AND SUBSIDIARY
SECURITIES AND EXCHANGE COMMISSION FORM 10-Q
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PART I - Financial Information

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Condensed Consolidated Statements of Cash Flows - For the three months ended March 31, 1992, and 1991 5

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PART II - Other Information

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(a) None
(b) None

Signatures 20

SDN BANCORP AND SUBSIDIARY

Condensed Consolidated Statements of Condition
March 31, 1992 and December 31, 1991
(Dollars in thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
Assets		
Cash and due from banks	$ 8,637	$ 8,034
Interest bearing deposits with financial institutions	1,470	1,765
Investment securities	3,838	3,891
Federal funds sold	3,500	4,600
Loans	67,687	71,601
Less allowance for loan losses	740	1,128
Loans, net	66,947	70,473
Premises and equipment, net	1,139	1,158
Other real estate owned	263	-
Accrued interest receivable and other assets	2,086	1,828
	$ 87,880	$ 91,749
Liabilities and Shareholders' Equity		
Deposits:		
Demand:		
Non-interest bearing	$ 19,372	$ 22,008
Interest bearing	10,838	9,275
Savings:		
Regular	4,041	3,648
Money market	21,479	22,002
Time:		
Under $100,000	9,634	11,251
$100,000 or more	17,923	18,996
Total deposits	83,287	87,180
Accrued expenses and other liabilities	332	356
Notes payable	746	746
Long-term debt	1,219	1,219
Total liabilities	85,584	89,501
Shareholders' Equity:		
Contributed capital	2,951	2,951
Retained earnings (deficit)	(655)	(703)
Total Shareholders' Equity	2,296	2,248
	$ 87,880	$ 91,749

See accompanying notes to condensed consolidated financial statements.

SDN BANCORP AND SUBSIDIARY

Condensed Consolidated Statements of Operations
Three months ended March 31, 1992 and 1991
(Dollars in thousands, except for per share amounts)
(Unaudited)

	1992	1991
Interest Income:		
Interest and fees on loans	$ 1,745	$ 1,933
Interest on Federal funds sold	20	71
Interest on deposits with financial institutions	28	27
Interest and dividends on investment securities	69	58
Total interest income	1,862	2,089
Interest Expense:		
Deposits	751	1,059
Other borrowed funds	45	56
Total interest expense	796	1,115
Net interest income	1,066	974
Provision for loan losses	25	45
Net interest income after provision for loan losses	1,041	929
Other operating income	163	103
Other operating expense	1,151	1,140
Earnings (loss) before income taxes	53	(108)
Provision (benefit) for income taxes	5	(43)
Net earnings (loss)	$ 48	$ (65)
Earning (loss) per share:		
Primary	$ .08	(0.11)
Assuming full dilution	$ .08	(0.11)

See accompanying notes to condensed consolidated financial statements.

SDN BANCORP AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 1992 and 1991
(Dollars in thousands)
(Unaudited)

	1992	1991
Operating Activities:		
Net earnings (loss)	$ 48	$ (65)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	25	45
Depreciation and amortization	71	62
Increase in accrued interest receivable	(40)	(27)
Decrease in accrued interest payable	(13)	(14)
Other - net	(492)	(459)
Net cash used by operating activity	(401)	(458)
Investing Activities:		
Net decrease in interest bearing deposits in other financial institutions	295	86
Proceeds from sales and maturities of investment securities	53	9
Net decrease(increase) in loans	3,501	(3,310)
Purchases of premises and equipment	(52)	(73)
Net cash provided(used) by investing activities	3,797	(3,288)
Financing Activities:		
Net increase(decrease) in deposits	(3,893)	2,282
Proceeds from issuance of common stock	-	24
Net cash provided (used) by financing activities	(3,893)	2,306
Net decrease in cash and cash equivalents	(497)	(1,440)
Cash and cash equivalents at January 1, 1992 and 1991	12,634	12,395
Cash and cash equivalents at March 31, 1992 and 1991	$ 12,137	$ 10,955

See accompanying notes to condensed consolidated financial statements.

SDN BANCORP AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992

(Unaudited)

NOTE 1:

The condensed consolidated financial statements include the accounts of SDN Bancorp ("Bancorp"), a Bank holding company, and its wholly-owned subsidiary, San Dieguito National Bank ("Bank").

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position as of March 31, 1992 and the results of operations and statements of cash flows for the three months ended March 31, 1992 and 1991.

While management believes that the disclosures presented are adequate to make the information not misleading, it is recommended that these financial statements be read in conjunction with the financial statements and the notes included in Bancorp's 1991 annual report.

NOTE 2:

Primary earnings per share data is computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding. Stock options, which are common stock equivalents, have been included in the calculation of primary earnings per share. The assumed conversion of the Mandatory Convertible Debentures ("Debentures"), which are not common stock equivalents, were antidilutive as of March 31, 1992. The weighted average number of shares used to compute the primary earnings (loss) per share was 587,305 for the three months ending March 31, 1992 and 601,804 for the three months ending March 31, 1991. The weighted average number of shares used to compute earnings (loss) per share assuming full dilution was 587,305 for the three months ending March 31, 1992 and 601,804 for the three months ending March 31, 1991.

NOTE 3:

Beginning January 1, 1993, Bancorp will be required to apply the provision of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which amended and allowed a one-year deferral of the effective date of Statement of Financial Accounting Standards No. 96. Although Bancorp has not completed a full assessment of the effects of adoption of such statement, no material adverse consequences are anticipated.

NOTE 4:

Bancorp has a $210,000 Promissory Note and a $150,000 Optional Advance Note payable to another bank. The Optional Advance Note is drawn on as necessary to meet Bancorp's debt service requirements. The balance outstanding on the Optional Advance Note was $111,000 as of March 31, 1992. Both of these notes bear interest at prime rate plus 2.0% and are due July 31, 1992. Both notes are secured by all the outstanding shares of common stock of the Bank.

On October 15, 1991, Bancorp executed a $75,000 Promissory Note payable to a Director of Bancorp and Bank. The proceeds of this note was used to pay net interest expense of the mandatory convertible debentures. This note bears interest at prime rate plus 2.0% and is due October 15, 1992.

During the first quarter of 1992, Bancorp executed promissory notes to directors aggregating $200,000 and promissory notes to shareholders aggregating $150,000. The proceeds of these notes were used to pay down a promissory note from another bank. These notes bear interest at prime plus 2.0% and are due during the first quarter of 1993.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR SDN BANCORP

Three months

March 31, 1992

SUMMARY:

SDN Bancorp ("Bancorp") owns 100% of San Dieguito National Bank ("Bank"). Bancorp has had no significant business activities independent from the Bank. Accordingly, the following discussion relates primarily to the operating results and financial condition of the Bank.

Average earning assets of the Bank for the first three months of 1992 were approximately $78.3 million, representing an increase of $6.2 million or 8.6% from the average for the comparable three-month period in 1991. Total assets at March 31, 1992, were $87.9 million compared to total assets of $91.7 million at December 31, 1991 and $82.4 million at March 31, 1991.

Average loans for the first three months of 1992 were approximately $70.5 million, representing an increase of $7.6 million or 12.1% from the average of $62.9 million for the first three months of 1991. This increase in average loans is largely due to a $5.3 million increase in average commercial loans and a $2.4 million increase in average consumer and equity loans.

Total loans at March 31, 1992 were $67.7 million compared to $71.6 million at December 31, 1991. Construction and real estate loans decreased $3.1 million from December 31, 1991 to March 31, 1992 because of conservative lending practices and a slowdown in the real estate market.

Total deposits decreased to $83.3 million at March 31, 1992 compared to $87.2 million at

December 31, 1991. This decrease in total deposits is primarily due to a $2.7 million reduction in higher costing certificates of deposit that were allowed to run off.

For the three months ended March 31, 1992, Bancorp realized net earnings of $48,000 compared to a net loss of $65,000 for the same period in 1991. The 1992 increase in net earnings is primarily due to a $92,000 increase in net interest income (see additional comments below under Net Interest income and Net Interest Margin) and a $60,000 increase in other operating (non-interest) income in 1992 compared to the same period in 1991.

Net Interest Income and Net Interest Margin

In the first three months of 1992, Bancorp's net interest income (including loan fees) increased by $92,000 or 9.4% compared to the same period in 1991. This increase is principally the result of a greater decrease in costs of funds than the decrease in total interest income for the first three months of 1992 compared to the same three-month period in 1991. Even though average loan balances were higher in 1992 compared to the first quarter of 1991, the decrease in interest rates in the first quarter of 1992 compared to 1991 resulted in a decrease in interest income and fees on loans.

Comparing the first three months of 1992 to that of 1991, the yield on average earning assets decreased to 9.6% from 11.8%, while the average cost of interest bearing liabilities decreased to 4.8% from 7.2%. The net interest margin was 5.5% for both the first three months of 1992 and 1991.

Loan fee income was approximately the same for the first three months of 1992 compared to that of 1991. Loans on non-accrual status were approximately $1,200,000 more at March 31, 1992 compared to March 31, 1991. (See additional comments below under Allowance and Provision for Loan Losses.)

In January 1991, the Bank introduced a new tiered money market account which pays higher interest rates on average balances of $10,000 or greater. The $8.7 million increase in money market balances at March 31, 1992 compared to March 31, 1991 is a direct result of the success of this new account. At this time of declining interest rates, depositors are increasingly placing more of their funds into higher interest money market accounts or are taking their funds out of banks to invest in mutual funds or insurance products. This accounts for the majority of the reduction in the Bank's time deposits under $100,000.

The Bank's funding sources from non-interest bearing deposits increased during the first three months of 1992 compared to the first three months of 1992. This increase was a result of additional deposits from the new office in Carlsbad and an increase in average deposits from two escrow companies.

Allowance and Provision for Loan Losses

The allowance for loan losses represents the remainder of amounts which have been set aside for the specific purpose of absorbing losses which may occur in the Bank's loan portfolio. The provision for loan losses is an expense charged against operating income and added to the allowance for loan losses. Management of the Bank continues to carefully monitor the allowance for loan losses in relation to the size of the Bank's loan portfolio and known risks or problem loans.

The allowance for loan losses was $1,128,000 at December 31, 1991 and has decreased to $740,000 at March 31, 1992 primarily as a result of the March, 1992 charge-off of two loans totaling $375,000 which were fully reserved at December 31, 1991. The provision for possible loan losses was $25,000, loan charge-offs were $415,000 and recoveries were $2,000 during the first three months of 1992. The balance of the allowance for loan losses was 1.1% of gross loans at both March 31, 1992 and March 31, 1991.

Non-performing loans increased to $2,762,000 or 4.1% of outstanding loans at March 31, 1992 compared to $2,495,000 or 3.5% at December 31, 1991. The March 31, 1992 figure includes $2,274,000 in loans on non-accrual status compared to $2,470,000 at December 31, 1991 and $1,068,000 at March 31, 1991. At March 31, 1992, there was $448,000 in other loans past due ninety days or more and still accruing interest compared to $25,000 at December 31, 1991. These other loans of $448,000 consist of two first trust deed loans secured by residential real estate. At March 31, 1992, the Bank had "Other Real Estate Owned" in the amount of $263,000 as a result of a January, 1992 foreclosure.

A portion of the non-performing loans represents the Bank's willingness to allow loans to go into default in order to pursue collection efforts rather than to grant liberal loan renewals. Most of the non-performing loans are secured by residential real estate. Given the current recession, economic conditions and the Bank's real estate and construction loan portfolio, it is likely the level of non-performing loans will increase until conditions improve.

The allowance for loan losses reflects management's ongoing evaluation of the risks inherent in the loan portfolio both generally and with respect to specific loans, the present state of the economy, the level of net loan losses experienced in the past, as well as the careful ongoing evaluation of the loan portfolio of the Bank by management. Although no assurance can ever be given that actual losses will not exceed the amounts provided for in the allowance, management believes that the allowance for loan losses is adequate in light of all known relevant factors. However, increased costs of collection on some of these loans, non-accrual of interest on those of which are or may be placed on non-accrual, and the possibility of further charge-offs could have an adverse impact on Bank's and Bancorp's profitability in the future.

Other Operating Income

Other operating (non-interest) income increased by $60,000 for the first three months of 1992 compared to the same period in 1991. The first three months of 1992 include a $30,000 gain recognized on a sale of other real estate owned. In addition, deposit service charge income increased $25,000 during the first three months of 1992 compared to the same three-month period in 1991.

Other Operating Expenses

Other operating (non-interest) expenses for the first three months of 1992 increased $11,000 compared to the first three months of 1991. This is a result of an $11,000 increase in the FDIC regulatory assessments, a $16,000 increase in general insurance and legal costs offset by a $16,000 decrease in business development expense during the first three months of 1992 compared to the same three-month period in 1991.

Management recognizes the need to reduce its overhead ratio if the Bank and Bancorp are to achieve consistent, acceptable levels of profitability. Nonetheless, since many of the Bank's costs are fixed, their impact on the overhead ratio cannot be substantially improved without a significant increase in the Bank's size.

Provision for Income Taxes

The income tax expense for the first three months of 1992 is computed using the statutory, Federal and State tax rates reduced by net operating loss carryforward from 1991.

Capital Resources

Current risk-based capital standards generally require banks and holding companies (except for non-diversified holding companies with less than $150 million in assets) to maintain a ratio of "core" or "tier 1" capital (consisting principally of common equity) to risk adjusted assets of at least 4%, and a ratio of total capital (which includes core capital and certain forms of subordinated debt, reserves for loan losses, and preferred stock) of at least 7.25% to risk adjusted assets (8.0% beginning on December 31, 1992). Risk adjusted assets are calculated by multiplying the balance in each category of assets according to a risk factor which ranges from zero for cash assets and certain government obligations to 100% for some types of loans, and adding the products together. As of March 31, 1992, the Bank's risk-based capital ratio was 7.4%, compared to the current 7.25% minimum, and the Bank's core capital ratio was 5.5%, compared to the 4.0% minimum standards.

While management believes that the Bank's and Bancorp's capital positions are sufficient for the current level of assets, the Bank will need to increase capital to provide the base for growth and to meet December 31, 1992 capital ratio requirements. In addition, management is actively seeking additional capital or debt funds to pay debt service on its Debentures, as well as the debt service and refinancing of short-term notes payable. There is no assurance that such new sources of capital or debt will be obtained in light of the current economic environment.

New leverage capital standards became effective in April, 1991, which requirements were established to ensure that a portion of a bank's existing assets and future asset growth will be funded by shareholders' equity and not by insured deposits alone. The Bank is in conformity with these new standards which include a 3.0% minimum leverage ratio. It is anticipated that emerging guidelines will require banks to increase their capital base.

Liquidity

The Bank relies primarily on deposits as its principal source of funds and, therefore, must be in a position to service depositors' needs as they arise. Management of the Bank attempts to maintain loan-to-deposit ratio of approximately eighty-five percent and a liquidity ratio (liquid investments to deposits and other short term liabilities) of not less than twenty percent. The average loan-to-deposit ratio was 87% for the three-month period ending March 31, 1992, and was 87% for the same period in 1991. Average liquidity was 16% during the first three months of 1992 and 18% during the same period in 1991. While fluctuations in escrow and title company deposits cause temporary increases and decreases in liquidity from time to time, the Bank has had no significant trouble dealing with such fluctuations from existing liquidity sources and solicitation of other deposits.

Should the level of liquid assets (primary liquidity) not meet the liquidity needs of the Bank, other available sources of liquidity (secondary liquidity) include purchase of federal funds, sale of repurchase agreements, sale of loans, and the discount window facilities of the Federal Reserve Bank. The Bank has rarely used these sources in the past since its liquidity levels have been maintained primarily through funds provided by deposits. The Bank has identified loans which could be sold if necessary.

Bancorp's liquidity needs are primarily limited to regulatory compliance costs and debt service. To partially offset the interest payments on Bancorp's $1,219,000 of Debentures, Bancorp receives interest payments from the Bank's $550,000 of Debentures totaling approximately 45% of Bancorp's Debenture interest expense. In order for Bancorp to meet its debt service requirements, it was necessary to obtain loans as set forth in Note 4 to the condensed consolidated financial statements, and it will be necessary to obtain additional equity or debt financing in the future.

There are legal limitations restricting the extent to which the Bank can lend or dividend funds to Bancorp. At March 31, 1992, it appears that the Bank could not declare dividends without the approval of the Comptroller of the Currency. Bank policy currently in effect precludes the payment of cash dividends.

Economic Considerations

Approximately 85% of the Bank's loan portfolio at March 31, 1992 is in short-term loans tied to a floating rate which changes annually or more frequently (64% is tied to a daily floating prime rate). This enables the Bank to adjust its yields quickly in a changing interest rate environment. The Bank remains more sensitive to interest rate changes on the asset side than on the liability side throughout all time horizons. This is partly because the volume of non-interest bearing funding sources (demand deposits and capital) exceeds the volume of non-interest earning assets. Given the composition of the Bank's balance sheet at March 31, 1992, declining market rates of interest will generally have a negative impact on the Bank's net interest income, while rising interest rates will have a positive effect, absent other factors.

The majority of Bancorp's assets and liabilities are monetary items held by Bank, the value of which (in dollars) is not affected by inflation; only a small portion of total assets is in premises and equipment. Although the inflation rate has been much lower in recent years, its effect on the Bank did not have the positive impact that may have been felt by other industries. The small fixed asset investment of the Bank minimizes any material misstatement of asset values and depreciation expenses which may result from fluctuating market values due to inflation. Inflation may, however, increase other operating expenses or have adverse effects on the Bank's customers. Rates of interest paid or charged in the marketplace generally rise in relation to current or anticipated inflation.

Other

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 was signed into law August 8, 1989. The Federal Deposit Insurance Corporation Improvement Act of 1991 was signed into law on December 19, 1991. In addition to providing for the recapitalization of the Bank Insurance Fund, this new 1991 law makes a number of changes in the legal environment for insured banks, including reductions in insurance coverage for certain kinds of deposits, increases in consumer-oriented requirements, and major revisions in the process of supervision and examination of depository institutions.

In addition, Federal officials have stated they plan to make other changes to existing bank laws and regulations, which may impact a bank's ability to extend branch operations across state lines, own insurance and security affiliates, and permission for non-financial institutions to own and operate banks.

While it is currently impossible to ascertain the impact of new laws as well as possible changes to bank laws and regulations, it is expected they would increase bank operation expenses and competition. It is also not possible to fully ascertain the impact of recent mergers of large in-state banks as well as competition from out-of-state banks that can purchase thrift institutions without geographical limitations.

PART II

ITEM 4. Submission of Matters to a Vote of Security Holders

On April 17, 1992, Bancorp held its annual meeting of shareholders at which the following item was voted and approved:

1. The following directors were re-elected:

Leonard R. Cory
J. Peter Fitzpatrick, D.D.S.
Robert E. Grice
William F. Howell
M. Tamie Kimura
Donald A. Klatt
Thomas T. Minamide
James E. O'Neal
Paul E. Schedler
Robert O. Weston

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None

SDN BANCORP AND SUBSIDIARY

SECURITIES AND EXCHANGE COMMISSION FORM 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SDN BANCORP

DATE: 5-12-92

Paul E. Schedler
President

DATE: 5/12/92 Cathy J. Wingenbach

Cathy J. Wingenbach
Principal Accounting Officer

08773
Q-34954

92 14 8771

Orig :
Pdr

RECD S.E.C.
MAY 14 1992
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QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

---

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the period ended March 31, 1992

T92.2234

or

[ ] Transition Report Pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______

Commission file number 0-5567

I.R.S. Employer Identification Number 74-1670096 (3)

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SEAL FLEET, INC.
A NEVADA CORPORATION
3305 AVENUE S
GALVESTON TEXAS 77550
TELEPHONE: 409-763-8878

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate the number of share outstanding of each of the issuers classes of common stock, as of the latest practicable date:

As of March 31, 1992, the registrant has shares outstanding as indicated below:

(title of class)	(number of shares outstanding)
class A common stock	2,432,248
class B common stock	50,000

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Part I. Financial Information

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Part I. Financial Information

Seal Fleet, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands of dollars except per share amounts)
(Unaudited)

	Three months ended March 31 1992	Three months ended March 31 1991
Charter revenue	$ 405	$ 817
Operating fees	203	200
Crewing fees	38	11
Travel agency commissions	31	21
Total revenues	677	1,049
Operating expenses	335	494
Drydock amortization	53	173
Selling, general and administrative expense	261	199
Selling, general and administrative expense-travel agency	35	30
Depreciation	139	136
Interest expense	216	232
Other (income) and expense	(14)	(23)
Total costs and expenses	1,025	1,241
Net loss	$(348)	$(192)
Net loss per share	$(.16)	$(.08)
Weighted average shares outstanding	2,158,000	2,432,000

See notes to consolidated financial statements.

Seal Fleet, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands of dollars)
(Unaudited)

	March 31 1992	December 31 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 1,332	$ 1,296
Accounts receivable - trade	749	771
Accounts receivable - other	133	99
Note receivable - current		520
Deferred drydocking costs	40	93
Other current assets	394	291
Total current assets	2,648	3,070
PROPERTY AND EQUIPMENT		
Ships	9,941	9,941
Furniture and equipment	260	254
Leasehold improvements	101	101
	10,302	10,296
Less accumulated depreciation	5,670	5,531
	4,632	4,765
OTHER ASSETS		
Assets held for resale	154	154
Other assets	74	74
	$ 7,508	$ 8,063

	March 31 1992	December 31 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt to related party	$ 6,791	$ 6,791
Accounts payable - trade	467	230
Accounts payable to related party	230	539
Accrued interest expense	467	567
Total current liabilities	7,955	8,127
Long-term debt to related party less current portion	3,584	3,620
Total liabilities	11,539	11,747
SHAREHOLDERS' EQUITY		
Class A common stock, $.10 par value; 3,700,000 shares authorized and 2,432,248 shares issued in 1992 and 1991	243	243
Class B common stock, $.10 par value; 50,000 shares authorized, issued and outstanding	5	5
Additional paid-in capital	4,456	4,456
Retained deficit	(8,605)	(8,258)
Class A common stock held in treasury at cost; 447,621 shares in 1992 and 1991	(130)	(130)
	(4,031)	(3,684)
	$ 7,508	$ 8,063

See notes to consolidated financial statements.

Seal Fleet, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
(in thousands of dollars)
(Unaudited)

	Three months ended March 31 1992	Three months ended March 31 1991
OPERATING ACTIVITIES		
Net loss	$ (348)	$ (191)
Adjustments to reconcile net loss to net cash provided (required) by operating activities:		
Depreciation	139	135
Changes in operating assets and liabilities:		
Accounts and notes receivable	508	(321)
Other current assets	(50)	129
Accounts payable--trade	(72)	(278)
Interest payable	(100)	121
Net cash provided (required) by operating activities	77	(405)
INVESTING ACTIVITIES		
Purchase of property and equipment	(6)	(18)
Net cash required by investing activities	(6)	(18)
FINANCING ACTIVITIES		
Decrease in long term debt	(35)	(49)
Net cash required by financing activities	(35)	(49)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36	(472)
CASH AND CASH EQUIVALENTS AT JANUARY 1, 1992 AND 1991	1,296	1,214
CASH AND CASH EQUIVALENTS AT MARCH 31, 1992 AND 1991	$ 1,332	$ 742

See notes to consolidated financial statements.

Seal Fleet, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note A -- Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

During the three month period ended March 31, 1992, Seal Fleet, Inc. ("Seal Fleet" or "the Company") incurred a net loss of $348,000 and continues to have negative equity, and as of that date the Company's current liabilities exceeded its current assets by $8,891,000, and the Company's total liabilities exceeded its total assets by $4,031,000. These factors indicate that the Company may be unable to continue in its present form as a going concern.

Note B -- Results of Operations

The results of operation for the three month period ended March 31, 1992 is not necessarily indicative of the results of operation for the full year.

Note C -- Default in Senior Securities

The Company has a note payable to the Three R Trusts, face amount of $5,925,000, stated interest at 7%, collateralized by the common stock of six subsidiaries of the Company. the note was originally discounted $1,330,000 using an imputed rate of 10%. This discount was fully amortized in 1989. Principal payments were due in two equal installments on December 27, 1990 and 1991. The company was unable to make these principal payment to the Three R Trusts putting the note in default. However, the Trusts have not called the note and have granted an indefinite verbal extension. The entire balance is classified as current at December 31, 1991.

Management's Discussion and Analysis of the Condensed Consolidated Statements of Operations

Consolidated net sales for the quarter ended March 31, 1992 as compared to the same period in 1991 decreased by 50% due to very low utilization for the vessels working in the Gulf of Mexico. Also contributing to the decrease is the loss of approximately $200,000 in charter revenues after losing an operating agreement for a boat owned by a major client. This agreement, however, was replaced by a management agreement with the same client for the same vessel for a lesser fee and no boat operating cost involvement. The year-to-date net effect of the new management agreement as compared with the original operating agreement is a decrease in profits of approximately $5,000.

Operating expense decreased during the current quarter as compared with the same quarter in 1991 because of the loss of the operating agreement as discussed above. In the operating agreement, all operating costs were absorbed by the Company while in the management agreement, all ship operating costs are absorbed by the owner of the vessel.

General and administrative expense increased slightly due to general overall increase.

PART II. OTHER INFORMATION

Items 1 and 2. Not Applicable.

Item 3. Defaults Upon Senior Securities

Reference is made to Note C of the consolidated financial statements.

Items 4 through 6. Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report of Form 10-Q for the quarter ended March 31, 1992 to be signed on its behalf by the undersigned thereunto duly authorized.

SEAL FLEET, INC.

Date: May 15, 1992

Trinidad C. Salinas
Financial Vice President
(Chief Financial Officer)

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Q-35012

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d)
the Securities Exchange Act of 1934

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For Quarter Ended March 31, 1992 Commission file number 0-19855

SERAGEN, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2662345
(I.R.S Employer Identification No.)

97 South Street, Hopkinton, MA
(Address of principal executive offices)

01748
(Zip Code)

(508) 435-2331
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___ No (2) x

12,042,792 shares of Common Stock par value $.01 were outstanding on May 13, 1992.

Total Number of Pages: 13
Exhibit Index at Page 11

SERAGEN, INC.

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Item 3 - Defaults upon Senior Securities (None)

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Item 5 - Other Information (None)

Item 6 - Exhibits and Reports on Form 8-K

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b. Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.

Signatures 12

SERAGEN, INC.

BALANCE SHEETS

	December 31, 1991	March 31, 1992 (Unaudited)	Pro Forma March 31, 1992 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ —	$ 410,832	$ 23,835,350
Restricted cash	2,240	—	—
Prepaid expenses	253,889	1,329,282	203,312
Other current assets	9,300	23,034	23,034
Total current assets	265,429	1,763,148	24,061,696
Property and equipment, net	5,435,809	5,499,557	5,499,557
Other assets	61,699	60,727	60,727
Total assets	$ 5,762,937	$ 7,323,432	$ 29,621,980
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY			
Current liabilities:			
Demand note payable to bank	$ 10,000,000	$ 10,000,000	$ —
Demand note payable to majority stockholder	60,286,408	66,486,408	—
Accounts payable	485,566	571,447	571,447
Accrued interest	64,625	55,482	—
Accrued expenses	825,679	1,670,354	1,670,354
Current portion of obligations under capital leases	27,793	21,032	21,032
Total current liabilities	71,690,071	78,804,723	2,262,833
Obligations under capital leases	21,803	21,803	21,803
Stockholders' (deficit) equity:			
Preferred Stock, $.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—	—
Common stock, $.01 par value; 25,000,000 shares authorized; issued 2,655,775 shares at December 31, 1991 and March 31, 1992 and 12,042,292 shares at March 31, 1992 pro forma	26,558	26,558	120,424
Additional paid-in capital	3,832,229	6,318,415	105,064,987
Accumulated deficit (since May 31, 1985)	(69,800,349)	(77,840,692)	(77,840,692)
	(65,941,562)	(71,495,719)	27,344,719
Less treasury stock (1,475 shares at cost)	(7,375)	(7,375)	(7,375)
Total stockholders' (deficit) equity	(65,948,937)	(71,503,094)	27,337,344
Total liabilities and stockholders' (deficit) equity	$ 5,762,937	$ 7,323,432	$ 29,621,980

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended March 31,	
	1991	1992
License fees and other revenue	$ 3,126	$ 3,126
Operating expenses:		
Research and development	3,147,883	4,984,101
General and administrative	559,771	1,656,601
	3,707,654	6,640,702
Loss from operations	(3,704,528)	(6,637,576)
Interest expense	1,324,441	1,402,767
Net loss	$ (5,028,969)	$ (8,040,343)
Historical net loss per common share	$ (1.69)	$ (2.70)
Historical shares used in computing net loss per weighted average common share	2,976,365	2,976,584
Pro forma net loss per common share data is based upon the assumed conversion of debt to the majority shareholder into common stock upon the closing of the initial public offering:		
Pro forma net loss per common share	$ (0.55)	$ (0.74)
Pro forma shares used in computing net loss per weighted average common share	7,067,506	9,116,336

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended March 31,	
	1991	1992
Cash flows from operating activities:		
Net loss	$ (5,028,969)	$ (8,040,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	347,370	356,628
Value of services received as repayment of loans for stock issued	4,425	—
Compensation expense related to stock options granted	—	2,486,187
Changes in operating assets and liabilities:		
Prepaid expenses	25,664	(1,075,393)
Other current assets	(34,252)	(13,734)
Accounts payable	(33,971)	85,881
Accrued interest	1,106,676	(9,142)
Accrued expenses	276,563	844,674
Net cash used in operating activities	(3,336,494)	(5,365,242)
Cash flows from investing activities:		
Purchases of property and equipment	(324,998)	(420,378)
Decrease in other assets	972	972
Proceeds from restricted cash account	4,000	2,240
Net cash used in investing activities	(320,026)	(417,166)
Cash flows from financing activities:		
Proceeds from demand note payable to majority stockholder	3,662,000	6,200,000
Payments under capital lease obligations	(5,480)	(6,760)
Net cash provided by financing activities	3,656,520	6,193,240
Net increase in cash and cash equivalents	—	410,832
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ 410,832
Supplemental disclosures of cash flows information:		
Cash payments for interest	$ 222,000	$ 1,416,000

The accompanying notes are an integral part of the financial statements.

SERAGEN, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying financial statements are unaudited (except for those dated as of December 31,1991), and have been prepared by the Company in accordance with generally accepted accounting principles.

Certain information and footnote disclosure normally included in the Company's audited annual financial statements have been condensed or omitted in the Company's interim financial statements. In the opinion of management, the interim financial statements reflect all adjustments (consisting of normal recurring accruals) necessary for a fair representation of the results for the interim periods presented.

The results of operations for the interim periods may not necessarily be indicative of the results of operations expected for the full year, although the Company expects to incur a significant loss for the year ended December 31, 1992. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1991, which are contained in the Company's Registration Statement on Form S-1 (No. 33-45515), filed with the Securities and Exchange Commission and declared effective on March 31, 1991.

2. Subsequent Event - Initial Public Offering

On April 1, 1991, the Company sold 3,000,000 shares of its $.01 par value common stock at a price of $12 per share in an initial public offering, providing approximately $32 million of net proceeds to the Company. On April 8, 1992, pursuant to an existing agreement in connection with the closing of this offering, the majority investor, Boston University exchanged all outstanding debt of the Company to Boston University for 6,346,852 shares of common stock and all related warrants issued to Boston University under the demand note were surrendered. The demand note payable to a bank was also repaid with proceeds from this offering.

The March 31, 1992 balance sheet is also presented on a pro forma basis as if the net proceeds from the public offering had been received, the demand note to the bank was repaid, and the debt to Boston University was exchanged for common stock and warrants issued under the demand note to Boston University were surrendered.

3. Pro Forma Net Loss Per Common Share

The pro forma net loss per common share is computed based upon the weighted average number of common shares outstanding and certain adjustments described below. Common equivalent shares are not included in the per share calculation where the effect of their inclusion would be antidilutive, except that, in accordance with Securities and Exchange Commission requirements, common and common equivalent shares issued during the twelve month period prior to the initial public offering have been included in the calculation as if they were outstanding for all periods, using the treasury stock method and the initial public offering price of $12 per share. In addition, all outstanding debt under a demand note to the majority stockholder that was exchanged for common stock upon the consummation of the initial public offering is treated as having been exchanged for the period presented.

4. Historical Net Loss Per Common Share

The historical net loss per common share is computed in the same manner as pro forma net loss per common share, except that outstanding debt is not assumed to be exchanged or repaid and shares pursuant to antidilution rights are not assumed to have been issued.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Seragen is engaged in the discovery, research and development of pharmaceutical products for human therapeutic applications. Since 1985, the Company has focused substantially all of its efforts and resources on research and development of its fusion toxin technology. The Company's fusion toxins were developed using proprietary technology and have potential applications in a wide range of human diseases. To date, the Company has not generated any revenues from the sale of fusion toxin products, and the Company does not expect to receive any such revenues for several years. Seragen expects to incur substantial operating losses over the next several years due to continuing and increasing expenses associated with its research and development programs, including pre-clinical testing and clinical trials. Operating losses may also fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred.

On April 8, 1992, the Company concluded an initial public offering of its common stock. The Company sold 3,000,000 shares of common stock at $12 per share receiving net proceeds of approximately $32 million. Results for the first quarter of 1992 do not reflect consummation of this offering and are not indicative of results expected for the full year although the Company expects to incur a significant loss for the year ended December 31, 1992.

Results of Operations

Three Months Ended March 31, 1992 and 1991. The Company's revenues in each of the three month periods consisted of miscellaneous license fees from areas unrelated to the Company's fusion toxin technology.

Total operating expenses were $6.6 million in the first quarter of 1992 compared to $3.7 million in the same period of 1991. This $2.9 million increase was due primarily to the recording of compensation expense of $2.5 million in the first quarter of 1992 associated with the issuance of non-qualified stock options at below fair value in February 1992. Research and development expenses increased $1.9 million in the first three months of 1992 compared to the same period last year due to the recording of compensation expense mentioned above of $1.7 million. General and administrative expenses increased $1.1 million in the first three months of 1992 compared to the same period last year primarily as a result of recording compensation expense mentioned above of $800,000.

Interest expense increased to $1.4 million in 1992 from $1.3 million in 1991 due to the Company's increased borrowings from Boston University partially offset by lower interest rates. Upon the consummation of the Company's initial public offering, all indebtedness of the Company under a demand note to Boston University was converted to common stock. After consummation of the initial public offering and the repayment of the Company's bank debt with a portion of the net proceeds, the Company's only remaining interest expense will be on its capital lease.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of March 31, 1992, the Company had an outstanding loan balance to Boston University of $66.5 million and an outstanding credit line obligation to a bank of $10.0 million. After consummation of the offering, all outstanding debt of the Company to BU was exchanged for common stock and the Company used a portion of the net proceeds to repay the bank debt including all interest thereon after which the line of credit was terminated.

Prepaid expenses increased to $1.3 million as of March 31, 1992, principally due to deferred costs associated with the Company's initial public offering.

As of March 31, 1992, the Company had $10.5 million invested in property and equipment, consisting primarily of leasehold improvements to the Company's pilot manufacturing facility, laboratory facilities and laboratory equipment.

The Company expects to incur further substantial research and development expenses as it continues development of its fusion toxins. It is currently involved in negotiations to secure research and consulting arrangements in support of its research on fusion toxins. The Company also expects to incur substantial administrative and commercialization expenses in the future. The Company's requirements for working capital will depend on many factors, including the progress and costs associated with its research, pre-clinical and clinical development efforts, and the level of resources which the Company may devote to obtaining regulatory approval and manufacturing and selling its products.

The Company plans to finance these substantial cash needs through the proceeds from its initial public offering and potential future equity or debt financings. The Company may also enter into collaborative relationships with large pharmaceutical companies or with others that could provide funding to the Company. There can be no assurance that arrangements with collaborative partners or others will be available to the Company, and no assurance can be given that additional equity or debt financing will be available on acceptable terms, if at all to fund the Company's future working capital requirements. The Company anticipates that the net proceeds from its initial public offering, together with interest thereon, will be sufficient to fund the Company's working capital requirements through November 1993. The Company's ability to finance its operations beyond November 1993 is dependent upon its ability to raise additional capital.

SERAGEN, INC.

PART II

OTHER INFORMATION

Item 2. Change in Securities

At the special meeting in lieu of the annual meeting of the Company's stockholders held on February 5, 1992 (the "Special Meeting"), the Company's Certificate of Incorporation and By-Laws were modified. The Company's Certificate of Incorporation and By-Laws include rights of the holders of the Company's common stock, $.01 par value per share (the "Common Stock"). The modifications approved at the Special Meeting are briefly described in Item 4 below. The general effect of such modification is described in "Description of Capital Stock," at pages 50-51, of the Company's Prospectus included in the Registration Statement on Form S-1 (Registration No. 33-45515) declared effective by the Securities and Exchange Commission on March 31, 1992, which description is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

The Special Meeting of the stockholders of the Company was held on February 5, 1992. At the Special Meeting, the number of directors of the Company was fixed at twelve and the following individuals were elected as directors: John E. Bagalay, Jr., Richard M. Burnes, Jr., Gerald S.F. Cassidy, Kenneth G. Condon, Theodore W. Griesinger, James M. Howell, Norman A. Jacobs, John R. Murphy, John R. Silber, Richard C. Svrluga, Charles W. Smith and Gerald W. Stern. The following additional actions were voted upon by the stockholders at the Special Meeting.

1. The Company's Restated Certificate of Incorporation was amended (the "Amendment to the First Restated Certificate of Incorporation") to increase the authorized number of shares of stock of the Company from 8,000,000 to 30,000,000, of which 25,000,000 shares are designated as common stock, $.01 par value per share, (the "Common Stock"), and 5,000,000 shares are designated as preferred stock, $.01 par value per share, which shares of preferred stock shall be subject to issuance by the Company's Board of Directors with such designations, powers, preferences and rights as determined by the Board of Directors. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the Amendment of the First Restated Certificate of Incorporation. There were no votes against the Amendment of the First Restated Certificate of Incorporation and no abstentions.

2. Effective upon the execution and delivery of an Underwriting Agreement for a public offering of the Company's Common Stock (the "Offering"),which Underwriting Agreement has been executed and delivered, and the effectiveness of the Amendment to the First Restated Certificate of Incorporation, which Amendment became effective on February 6, 1992, the First Restated Certificate of Incorporation was further amended and restated to, among other things, (a) eliminated the ability of stockholders to act by written consent; (b) provide that meetings of stockholders may be called only by the Chairman of the Board of Directors or the President of the Company or the Board of Directors; and (c) provide that only the Board of Directors may increase the size of the Board of Directors, and fill any vacancies on the Board of Directors. The holders of shares of capital stock of the Company entitling the holders to an aggregate of 2,485,743 votes voted for the amendment and restatement of the First Restated Certificate of Incorporation. There were no votes against the amendment and restatement of the First Restated Certificate of Incorporation and no abstentions.

3. Effective upon the execution and delivery of the Underwriting Agreement for the offering, which Underwriting Agreement has been executed and delivered, the By-Laws of the Company were amended and restated, to, among other things; (a) set forth indemnification provisions for officers and directors to provide indemnification to the greatest extent permitted by law; (b) require advance notice for nominations of directors and other proposals by stockholders for consideration at stockholder meetings; (c) allow the Chairman of the Board of Directors or the President of the Company or the Board of Directors to call a special meeting of the

SERAGEN, INC.

PART II

OTHER INFORMATION

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stockholders and (d) set forth certain administrative changes. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the amendment and restatement of the By-Laws of the Company. There were no votes against the amendment and restatement of the By-Laws of the Company and no abstentions.

4. The Seragen, Inc. 1992 Long Term Incentive Plan (the "Incentive Plan") was adopted, which provides for the issuance of options to purchase shares of Common Stock and the grant of stock appreciation rights, restricted stock, deferred stock and other stock based awards to officers, employees and consultants of the Company and members of the Company's Scientific and Medical Advisory Board. 2,300,000 shares of Common Stock have been reserved for issuance under the Incentive Plan. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,483,707 votes voted for the adoption of the Company's Incentive Plan and the holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,036 votes voted against the adoption of the Company's Incentive Plan. There were no abstentions.

5. The Seragen, Inc. Non-Employee Director Non-Qualified Stock Option Plan (the "Director Plan") was adopted, which provides for the issuance of options to non-employee directors of the Company to purchase up to an aggregate of 200,000 shares of Common Stock at the fair market value of the Common Stock on the date the option is granted. Each non-employee director of the Company shall be entitled to receive an option to purchase a maximum of 5,000 shares of Common Stock on the first date elected to serve as a director (or on February 5, 1992, if later), subject to reduction if the director has previously been granted options due to his service as a director, and an additional option to purchase 1,000 shares of Common Stock at the commencement of each subsequent 12 month period in which the director is elected to continue in office. The options acquired under the Director Plan are exercisable upon completion of a full term of office as a director after the grant, and if the term is not completed or if the Director fails to attend at least 75% of the regularly called board meetings during such term the options will be forfeited The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,485,743 votes voted for the adoption of the Company's Director Plan. There were no votes against the adoption of the Company's Director Plan and no abstentions.

6. The Seragen, Inc. Employee Stock Purchase Plan (the "ESPP") was adopted, which provides for the purchase by eligible employees of up to an aggregate of 50,000 shares of Common Stock pursuant to Section 423 of the Internal Revenue Code. The holders of shares of capital stock of the Company entitling holders thereof to an aggregate of 2,845,743 votes voted for the adoption of the Company's ESPP. There were no votes against the adoption of the Company's ESPP and no abstentions.

SERAGEN, INC.

EXHIBIT INDEX

Exhibit		**Page**
4.5	Restated Certificate of Incorporation (Previously filed with the Commission as Exhibit 3.2, and incorporated herein by reference from the Registrant's Registration Statement on Form S-1, Registration No. 33-45515)	
4.6	By-Laws of the Registrant (Previously filed with the Commission as Exhibit 3.4, and incorporated herein by reference from the Registrant's Registration Statement on Form S-1, Registration No. 33-45515)	
11.1	Statement Re Computation of Loss Per Share	13

SERAGEN, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Seragen, Inc.

Date: May 13, 1992

by:
Richard C. Svrluga
President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 1992

by: Theodore W. Griesinger
Theodore W. Griesinger
Executive Vice President
(Principal Financial Officer)

Date: May 13, 1992

by: John J Curry
John J. Curry
Director of Finance
and Administration
(Principal Accounting Officer)

Exhibit 11.1

SERAGEN, INC.
STATEMENT RE COMPUTATION OF LOSS PER SHARE (1)

(Unaudited)

	Pro forma		Historical	
	For the three months ended March 31,		For the three months ended March 31,	
	1991	1992	1991	1992
Common stock outstanding, beginning of year	$ 2,654,081	$ 2,654,300	$ 2,654,081	$ 2,654,300
Issuance of cheap stock (2)	322,284	322,284	322,284	322,284
Effect of exchanging debt and warrants for common stock (3)	4,091,141	6,139,752	–	–
Weighted average shares of common stock outstanding at end of year	7,067,506	9,116,336	2,976,365	2,976,584
Net loss	$ 5,028,969	$ 8,040,343	$ 5,028,969	$ 8,040,343
Modification of net loss due to elimination of interest expense on debt to be exchanged	1,123,825	1,268,423		
Modified net loss	$ (3,905,144)	$ (6,771,920)		
Net loss per common share	$ (0.55)	$ (0.74)	$ (1.69)	$ (2.70)

(1) Due to losses incurred in each period presented, the inclusion of common stock equivalents (other than pursuant to cheap stock) would be antidilutive and therefore they are not included in the loss per share computations.

(2) In accordance with SEC Staff Accounting Bulletin 83, issuances of common stock and options to purchase common stock one year prior to the initial filing of the Company's Registration Statement for its initial public offering at prices below the initial offering price of $12 per share ("Cheap Stock") have been included for all periods presented, which is antidilutive due to the net loss in each period.

(3) Upon completion of the public offering, the demand note payable to majority stockholder was exchanged for shares of common stock. Accordingly, the pro forma net loss per common share calculation has assumed the exchange of such debt outstanding presented for common stock. Additionally, reflected in the pro forma net loss per common share are shares issued upon the exchange of this debt for common stock pursuant to antidilution rights.

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the quarter ended - March 31, 1992

Commission File Number 1-6255

STANDARD METALS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0221756
(I.R.S. Employer
Identification No.)

1270 Avenue of the Americas, New York New York
(Address of principal executive office)

10020
(Zip Code)

Registrant's telephone number, including area code: (212) 956-5650

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value $.03 per share
(Title of each class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No __ (2) Yes X No __

As of May 8, 1992, 3,293,491 common shares were issued and outstanding, excluding 481,206 shares held as treasury shares.

Indicate by a check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934, subsequent to the distribution of securities under a plan confirmed by a court.

Yes X No __

Documents Incorporated by Reference: Not applicable.

Total Pages: 8

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PART I - Financial Information

Item 1. **Financial Statements**

Standard Metals Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

Assets	March 31 1992	December 31 1991
Current Assets:		
Cash	$ 3,082	$ 1,529
Other current assets	28,413	28,413
Total Current Assets	31,495	29,942
Property, Plant & Equipment at cost:		
Furniture & Equipment	21,551	21,551
Less accumulated depreciation	(17,308)	(16,382)
Net operating	4,243	5,169
Mining, nonoperating, net	3,723,770	3,723,770
Total Property	3,728,013	3,728,939
Deferred Assets:		
Salaries	372,292	337,042
Interest on advance royalty	727,827	693,452
Total Deferred Assets	1,100,119	1,030,494
Total Assets	$4,859,627	$4,789,375

Liabilities & Shareholders' Equity

Current Liabilities:
    Accounts payable
    Short term notes payable
    Other accrued liabilities
    Current portion of notes payab

        Total Current Liabilit

Installment notes payable
Notes Payable
Deferred royalty income
Deferred interest on advance royalty

    Total Liabilities

Shareholders' Equity:
    Common stock, $.03 par value --
        5,000,000 shares author
        3,774,697 shares issued
    Capital in excess of par value
    Accumulated deficit

    Less Treasury stock at cost --
        481,206 shares

    Total Shareholders' Equity

Total Liabilities & Shareholders'
    Equity

See notes to consolidated financial statements.

	March 31 1992	December 31 1991
	$ 638,251	$ 619,885
	256,492	220,022
	608,024	564,306
e	1,309,334	1,266,308
es	2,812,101	2,668,521
	3,997,800	3,900,293
	424,467	416,342
	1,250,000	1,250,000
	727,827	693,452
	9,212,195	8,928,608
ized		
	113,261	113,261
	21,388,768	21,388,768
	(23,508,292)	(23,294,937)
	(2,006,263)	(1,792,908)
	(2,346,325)	(2,346,325)
	(4,352,568)	(4,139,233)
	$ 4,859,627	$ 4,789,375

Standard Metals Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	First Quarter Ended March 31	
	1992	1991
Mining Revenues	$ -	$ -
Expenses:		
Depreciation	926	687
Selling, general and administrative	32,269	34,588
Operating Loss	(33,195)	(35,275)
Other Income (Expense):		
Interest expense	(181,740)	(163,278)
Interest income	1,600	1,655
Net Income (Loss)	$(213,335)	$(196,898)
Earnings (Loss) Per Share	($0.06)	($0.06)
Average Number of Shares	3,293,491	3,293,491

See notes to consolidated financial statements.

Standard Metals Corporation and Subsidiaries
Consolidated Statement of Cash Flows
Increase (Decrease) in Cash Equivalents
(Unaudited)

	Three Months Ending March 31			
	1992		1991	
Cash flows from operating activities: Net Income (Loss)		$(213,335)		$(196,898)
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	926		687	
Changes in Assets and Liabilities:				
Increase in deferred assets	(69,625)		(69,625)	
Increase (decrease) in accounts payable	18,366		20,765	
Increase in accrued expenses	43,719		40,385	
Increase in interest payable	195,502		186,166	
Total adjustments		188,888		178,378
Net cash provided (used) by operating activities		(24,447)		(18,520)
Cash flows from financing activities: Proceeds from issuing notes		26,000		17,600
Net increase (decrease) in cash equivalents		1,553		(920)
Cash equivalents at beginning of year		1,529		2,072
Cash equivalents at end of period		$ 3,082		$ 1,152

See notes (unaudited) to consolidated financial statements.

STANDARD METALS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. General

In the opinion of Management, all normal adjustments necessary to present fairly the Company's financial position as of March 31, 1992 have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that this Report be read in conjunction with the unaudited financial statements and notes thereto contained in the Company's 1991 Annual Report on Form 10-K which has been filed with the Commission.

2. Installment Notes Payable

The components of installment notes payable, including current portion, consisted of the following:

	March 31 1992	December 31 1991
Installment Notes Payable (zero coupon, 10% semiannual yield to maturity):		
$ 302,694 face value, due from 1992 to 1994	$ 263,679	$ 257,053
$ 977,311 face value, due from 1992 to 1996	878,264	856,844
$2,118,061 face value, due from 1992 to 1997	1,493,051	1,456,634
$2,388,565 face value, due from 1992 to 1994	2,080,497	2,029,752
Total	$4,715,491	$4,600,283
Portion of total classified as current:	$ 717,491	$ 699,990

The combined aggregate payment schedule of the zero coupon promissory notes is as follows:

1992	$ 733,554
1993	1,269,035
1994	2,001,865
1995	471,590
1996	648,436
1997	661,951
	$5,786,431

All of the zero coupon promissory notes issued by the Company are collateralized by its 30% net profits interest in the Sunnyside Mine. The original issue discounts are being amortized over the lives of the notes on a semiannual yield to maturity basis of 10%.

STANDARD METALS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

3. Notes Payable

The components of notes payable consisted of the following:

	March 31 1992	December 31 1991
Notes payable:		
Due 1995, 10% interest	$ 424,467	$416,342
Due 1991, 65% interest	394,776	377,622
Due 1991, 65% interest	197,067	186,996
Total	$1,016,310	$980,960
Portion of total classified as current:	$ 591,843	$564,318

4. Deferred Items

Deferred items consist of the following:

	March 31 1992	December 31 1991
Deferred royalty income	$1,250,000	$1,250,000
Deferred interest on advance royalty	727,827	693,452
Deferred salaries	372,292	337,042

Deferred royalty income represents advance payments received from Echo Bay on the net profits interest, which was part of the sale of the Silverton assets in November of 1985. They will be taken into income as they are earned. These advances carry an interest rate of 1% above the Royal Bank of Canada's prime rate and the interest expense has been deferred, as it will be applied with the advance payments against the net profits interest at such time as that interest turns positive.

Deferred salaries represents one half of the President's salary from May through September, 1989, and all of the salaries of the President and the Assistant Secretary since September, 1989. The Board of Directors has approved this financing, and the Company will pay interest of 1.5% per month on all deferred salaries.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Changes in Financial Condition

Because the Company had no operating properties in either period, no revenue was generated during the first quarter of either 1992 or 1991.

The Company needs and has sought outside financing, joint ventures regarding its properties and sales of its properties. Efforts in these areas by the Company's management are continuing vigorously. Success in obtaining funds, both temporary and long term, is imperative for the Company's preservation of its properties and its continuance as a viable entity. Subsequent to September 30, 1989, the Company has been financing its operations by privately placing promissory notes bearing interest at the rate of 18% per annum. Through March 31, 1992, the Company had borrowed $206,300 in this manner. The notes have been placed with the Company's President and his son. The Board of Directors of the Company has approved this financing. In addition, both the President and the Assistant Secretary of the Corporation have agreed to defer their entire salaries since September 30, 1989.

B. Results of Operations

Selling, General & Administrative expense in the first quarter of 1992 was reduced by 9 per cent from the first quarter of 1991, reflecting continuing efforts to minimize expenditures. Interest expense increased by 11 per cent because of the use of debt to finance current expenses.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STANDARD METALS CORPORATION
Registrant

By: ______________________ Date: May 8, 1992
Boris Gresov,
President

By: Mary Di Rienzo Date: May 8, 1992
Mary Di Rienzo,
Assistant Secretary

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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FORM 10-Q

Quarterly Report

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to Section 13 or 15 (d) of the
rities Exchange Act of 1934

For Quarter ended December 31, 1991
Commission File 2-15689

STATE RECREATION, INC.
FORMERLY
STATE INDUSTRIES
(exact name of Registrant, as specified on charter)

CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

95-183 1167
(Internal Revenue Service
Employer Identification No,)

3383 East Gage Avenue
Huntington Park, California
(address of Principal executive offices)

90255
(Zip Code)

213-583-0901
(Registrant's Telephone Number, including Area Code)

The registrant has filed all annual, quarterly and other reports required to be filed with the Commission and has been subject to the filing requirements for at least the past 90 days. Yes X No____

STATE RECREATION, INC.
COMPARATIVE BALANCE SHEET
AT DECEMBER 31,,1991
(UNAUDITED)

	DECEMBER 31,	
	1991	1990
ASSETS		
Current Assets		
Cash on Hand and in Bank	$ 111,704	$ 83,554
Investments	260,639	586,778
Accounts Receivable	137,458	55,599
Inventories	187,708	234,776
Prepaid Expenses	43,427	27,746
Total Current Assets	$ 740,936	$ 988,453
FIXED ASSETS		
Plant and Equipment	$ 477,839	$ 347,512
Less: Accumulated Depreciation	273,947	249,851
Net Fixed Assets	$ 203,892	$ 97,661
DEPOSITS	$ 23,110	$ 24,018
TOTAL ASSETS	$ 967,938	$1,110,132
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable	$ 170,157	$ 172,820
Accrued Liabilities	17,427	32,211
Contingent Liabilities	16,464	16,753
Total Liabilities	$ 204,048	$ 221,784
LONG TERM LIABILITIES	-0-	-0-
TOTAL LIABILITIES	$ 204,048	$ 221,784
STOCKHOLDERS EQUITY		
Common Stock - issued & outstanding	$ 255,237	$ 255,237
Less Treasury Stock	229,506	211,184
Net Stock outstanding	$ 25,731	$ 44,053
Contributed Capital	518,634	518,634
Retained Earnings	219,525	325,661
Total Equity	$ 763,890	$ 788,348
TOTAL LIABILITIES AND EQUITY	$ 967,938	$1,[illegible],132

STATE RECREATION, INC.
COMPARATIVE STATEMENT OF INCOME
FOR THE THIRD QUARTER, ENDED DECEMBER 31, 1991
(UNAUDITED)

	Quarter ended DECEMBER 31,	
	1991	1990
NET SALES	$ 125,496	$ 84,669
COST OF SALES	124,581	100,688
GROSS PROFIT	$ 1,160	$(16,019
OPERATING EXPENSES		
SELLING AND ADMINISTRATIVE	66,581	70,654
INCOME FROM OPERATIONS	$(65,421	$(86,673
OTHER INCOME (EXPENSE)		
INTEREST INCOME & (EXPENSE)	$ 234	$ 2,913
DIVIDEND INCOME	1,803	11,867
CAPITAL EQUIPMENT SALES	--	139,799
ROYALITIES - VECP	--	--
MISCELLANEOUS	10,547	70,118
TOTAL OTHER INCOME & (EXPENSE)	$ 12,584	$ 219,131
INCOME BEFORE TAXES	$(52,837	$(130,822
PROVISION FOR INCOME TAXES	-0-	-0-
NET INCOME (LOSS)	$(52,837	$(130,822
EARNING (LOSS) PER SHARE		
TOTAL SHARES OUTSTANDING	$ 453,452	$ 453,452
LESS TREASURY SHARES	162,634	148,568
NET SHARES OUTSTANDING	$ 290,818	$ 304,884
EARNINGS PER SHARE (NET)	$(0.543	$(0.429

STATE RECREATION, INC.
STATEMENT OF CASH FLOW
AT DECEMBER 31, 1991
(UNAUDITED)

	DECEMBER 31,	
	1991	1990
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$(158,013	$ (18[illegible],349
Non-cash items included in net income		
Depreciation	23,804	18,347
Net gain on sale of Fixed Assets	--	--
Net gain (Loss on sale of marketable Securities	(520	61,436
Net increase (decrease) in Receivables, Inventories, Prepaid, and Other Assets and Payables	142,489	(108,452
Net Cash provided by Operations	$ 7,760	$ (218,518
CASH FLOW FROM INVESTING ACTIVITIES		
Increase (decrease in Dividends and Interest Receivable	$ 17,588	$ 30,019
Increase (decrease in Payable to Brokers	-0-	-0-
Acquisition of Property and Equipment	112,853	(43,525
Proceeds from sale of Fixed Assets	-0-	-0-
Proceeds from sale of Marketable Securities	42,558	1,521,196
Purchase of Marketable Securities	43,078	(1,366,465
Net Cash provided by Invested Activities	$ 129,921	$ 141,225
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease in due from Officer)	$ 46,351	$ (121,664
Purchase of Treasury Stock	18,322	(8,658
NET INCREASE IN CASH	$ 73,008	$ (53,029
CASH AT BEGINNING OF PERIOD	$ 85,005	$ 136,583
CASH AT END OF PERIOD	$ 158,013	$ 83,554

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

STATE RECREATION, INC.

By Arthur E Haskell
Arthur E. Haskell, President

Dated FEBRUARY 28, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION [illegible](d) OF THE SECURITIES EXCHANGE ACT OF 1[illegible]

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number 0-5958

Survival Technology, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**52-0898764**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2275 Research Blvd., Rockville, Maryland	**20850**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **301-926-1800**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 28, 1992
Common Stock, $.10 par value	3,026,022 Shares

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SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

PART I. FINANCIAL INFORMATION Page No.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

	January 31, 1992 (unaudited)	July 31, 1991 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,500	$ 1,326,100
Receivables	7,460,500	5,381,500
Inventories	4,223,100	5,100,400
Prepaid expenses and other assets	1,309,300	462,800
Total current assets	13,024,400	12,270,800
Fixed assets	13,067,200	11,636,400
Less accumulated depreciation	6,786,600	6,302,200
	6,280,600	5,334,200
Patents, licenses, and other noncurrent assets	1,289,000	1,245,400
Less accumulated amortization	505,000	467,300
	784,000	778,100
	$20,089,000	$18,383,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	$ 1,900,000	$ -
Notes payable to Syntex	1,787,000	1,787,000
Accounts payable	3,866,000	3,100,100
Customer deposits	82,000	1,338,900
Other liabilities & accrued expenses	1,186,400	1,855,000
Total current liabilities	8,821,400	8,081,000
Notes payable to Syntex	1,415,200	1,476,500
Other noncurrent liabilities	20,600	26,900
Total liabilities	10,257,200	9,584,400
Shareholders' equity:		
Common stock, $.10 par value; 10,000,000 shares authorized; 3,022,000 and 2,997,300 shares issued and outstanding	302,200	299,700
Paid-in capital in excess of par value	4,237,800	3,877,200
Retained earnings	5,291,800	4,621,800
	9,831,800	8,798,700
	$20,089,000	$18,383,100

See accompanying notes to consolidated condensed financial statements.

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	Six Months Ended January 31,		Three Months Ended January 31,	
	1992	1991	1992	1991
Net sales:				
Commercial products	$15,619,000	$ 9,110,000	$ 8,736,300	$ 5,081,700
Military products	3,780,600	13,920,600	1,307,500	8,790,200
Outpatient services	-	914,000	-	453,100
	19,399,600	23,944,600	10,043,800	14,325,000
Cost of sales	16,080,300	18,635,800	8,176,800	10,872,800
Gross profit	3,319,300	5,308,800	1,867,000	3,452,200
Selling, general & administrative expense	1,630,300	2,380,900	843,600	1,297,000
Research & development expense	517,100	458,100	253,400	243,300
Depreciation and amortization expense	627,900	492,500	352,800	246,900
	2,775,300	3,331,500	1,449,800	1,787,200
Operating income	544,000	1,977,300	417,200	1,665,000
Other income (expense):				
Interest expense	(129,100)	(214,700)	(75,700)	(92,200)
Patent assignment & other income (expense)	440,900	39,300	157,100	(22,900)
	311,800	(175,400)	81,400	(115,100)
Income before income taxes and extraordinary item	855,800	1,801,900	498,600	1,549,900
Provision for income taxes	222,400	684,700	129,600	588,900
Income before extraordinary item	633,400	1,117,200	369,000	961,000
Extraordinary item: Tax benefit from utilization of loss carryforward	36,600	684,700	-	588,900
Net income	$ 670,000	$ 1,801,900	$ 369,000	$ 1,549,900
Per common share:				
Income before extraordinary item	$ .21	$ .38	$.12	$ .32
Extraordinary item	.01	.23	-	.20
Net income	$ .22	$ .61	$.12	$ .52
Average number of common shares outstanding	3,051,300	2,938,800	3,101,400	2,969,700

See accompanying notes to consolidated condensed financial statements.

SURVIVAL TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended January 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 670,000	$ 1,801,900
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation and amortization	627,900	492,500
Gain on sale of building	(388,300)	(121,000)
Loss on sale of assets	21,100	59,100
(Increase) in receivables	(2,079,000)	(5,448,200)
Decrease (increase) in inventories	877,300	(894,300)
(Increase) in prepaid expenses and other assets	(801,500)	(937,400)
Increase in accounts payable	765,900	3,071,000
(Decrease) increase in customer deposits	(1,256,900)	2,229,100
(Decrease) increase in other liabilities and accrued expenses	(280,300)	130,700
Decrease (increase) in other noncurrent assets	27,500	(25,500)
Increase (decrease) in other noncurrent liabilities	6,300	(6,600)
Net cash (used for) provided by operating activities	(1,810,000)	351,300
Cash flows from investing activities:		
Purchases of fixed assets	(1,520,400)	(1,146,200)
Purchases of patents and licenses	(31,000)	(61,300)
Proceeds from sale of assets	-	414,300
Net cash used for investing activities	(1,551,400)	(793,200)
Cash flows from financing activities:		
Proceeds (payments) on notes payable to bank	1,900,000	(362,500)
Payment on notes payable to Syntex	(61,300)	
Proceeds from issuance of common stock	123,100	81,500
Increase in other liabilities		385,000
Tax benefit from stock option shares sold	105,000	-
Net cash provided by financing activities	2,066,800	104,000
Net decrease in cash and cash equivalents	$(1,294,600)	$ (337,900)
Cash and cash equivalents at beginning of period	$ 1,326,100	$ 551,100
Cash and cash equivalents at end of period	31,500	213,200
Net decrease in cash and cash equivalents	$(1,294,600)	$ (337,900)

See accompanying notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

A. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of January 31, 1992 and July 31, 1991, the results of its operations for the three-month and six-month periods ended January 31, 1992 and 1991, and its cash flows for the six-month periods ended January 31, 1992 and 1991. The results of operations for the three-month and six-month periods ended January 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 1992.

B. The significant accounting principles and practices followed by the Company are set forth in Note 1 of the Notes to Consolidated Financial Statements in the Survival Technology, Inc. Annual Report on Form 10-K for the year ended July 31, 1991.

C. Inventories consisted of the following:

	January 31, 1992	July 31, 1991
Military auto-injector products:		
Components and subassemblies	$ 480,100	$2,373,900
Product costs in process		1,155,700
	480,100	3,529,600
Commercial products:		
Components and finished goods	2,256,300	1,248,300
Product costs in process	1,486,700	322,500
	3,743,000	1,570,800
Total	$4,223,100	$5,100,400

D. The provision for income taxes recorded for the six-month period ended January 31, 1992 contains a charge in lieu of federal and state income taxes that would be required to be paid had the Company not been able to utilize its tax loss carryforwards. The respective tax benefit for the six-month period ended January 31, 1992 of $36,600 ($.01 per share) resulting from such utilization is shown as an extraordinary item in the Consolidated Condensed Statements of Operations. During the three-month and six-month periods ended January 31, 1991 such utilization of net operating loss carryforwards as an extraordinary item resulted in a tax benefit of $588,900 ($.20 per share) and $684,700 ($.23 per share), respectively. The Company's effective tax rate is less than the statutory tax rate due to the utilization of available tax credit carryforwards.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Quarter and Six Months in Review

The Company reported net income of $369,000 ($.12 per share) and $670,000 ($.22 per share) for the quarter and six months ended January 31, 1992 on sales of $10 million and $19.4 million, respectively. In the comparable prior year periods, net income was $1,549,900 ($.52 per share) and $1,801,900 ($.61 per share) for the quarter and six months ended January 31, 1991 on sales of $14.3 million and $23.9 million, respectively. Operating results for the six-month period ended January 31, 1992 include an extraordinary item resulting from the utilization of tax loss carryforwards totalling $36,600 ($.01 per share). During the second quarter and six month period ended January 31, 1991, such utilization of net operating loss carryforwards as an extraordinary item resulted in a tax benefit of $588,900 ($.20 per share) and $684,700 ($.23 per share), respectively.

While margins through the first six months of fiscal 1992 were below those experienced in prior years, margins improved from 15.5% in the first quarter to 18.6% in the second quarter of fiscal 1992. Margin improvements are expected to continue over the remaining two quarters of fiscal 1992 as the Company's capital expansion program is nearing completion, with many projects currently on-line. The Company reported lower levels of selling, general and administrative expense and interest charges for the quarter and first six months of fiscal 1992 due to the disposition of its outpatient cardiac care business in the third quarter of fiscal 1991. Higher non-operating income resulted from accelerated amortization of the deferred gain on the sale/leaseback of the Company's corporate headquarters building to reflect the revised lease term in conjunction with the early termination of this lease. The Company moved its corporate headquarters from Bethesda, Maryland to Rockville, Maryland in January 1992 which will result in lower occupancy costs in future periods.

Sales of commercial products continued to strengthen, aggregating $8.7 million in the second quarter and $15.6 million in the first six months of fiscal 1992. This represents increases of over 70% when compared with the same prior year periods. This growth is attributable to revenue from sales of Syntex Laboratories, Inc. ("Syntex") drug Toradol® in the Company's Cartrix™ syringe system coupled with the sales of the Company's EpiPen auto-injector, a commercial automatic injector containing epinephrine for self-administration by individuals for emergency treatment of severe allergic reactions. The Company expects to report sales growth from these commercial products as well as the Company's patented CytoGuard® Aerosol Protective Device over the remaining six months of fiscal 1992. The CytoGuard, which is sold exclusively in the United States to Bristol-Myers Squibb Oncology, is designed to reduce the risk of exposure of health care professionals to toxic drugs, such as chemotherapeutics administered to patients.

Increases in commercial product sales were offset by anticipated decreases in sales of military auto-injectors to the U.S. Department of Defense ("DoD") and the absence of revenues from outpatient cardiac care ("OCC") services. Revenues from OCC services aggregated $453,100 and $914,000 in the second quarter and first six months of fiscal 1992. Sales of military auto-injectors in fiscal 1991 included significant orders from the DoD and other allied foreign governments largely in support of Operation Desert Storm. As previously reported, the Company extended deliveries of a portion of these outstanding DoD orders (approximately $3 million), into fiscal 1992 in an effort to concentrate on its commercial sales backlog. The Company completed deliveries under all previously reported DoD contracts in January 1992. Sales of military auto-injectors for the quarter and six-month period ended January 31, 1992 aggregated $1.3 million and $3.8 million, respectively. This represents respective decreases of $7.5 million and $10.1 million over the comparable prior year periods.

On January 24, 1992, the Company received an order totalling $1.1 million from the DoD for the Company's Mark-I Antidote Kit which consists of two injectors, the AtroPen Auto-Injector filled with atropine and the ComboPen® Auto-Injector, filled with pralidoxime chloride. Deliveries under this contract are scheduled to commence in the third quarter and be completed by the end of the current fiscal year.

Liquidity and Capital Resources

The Company has a Revolving Credit Agreement ("Agreement") with Barclays Bank PLC ("the Bank") with a maximum commitment of $4,000,000 which expires on September 14, 1993.

As previously reported, the Company signed a Loan Agreement pursuant to which Syntex Laboratories, Inc. ("Syntex") agreed to lend $5.4 million to the Company to finance approximately $2.9 million in capital expenditures designed to increase the current production capacity of the Company's Cartrix™ syringe system, primarily as it relates to the manufacture of Toradol, with the balance to finance working capital requirements. Principal repayments commenced August 1, 1991 through credits against amounts invoiced Syntex from product deliveries in the first six months of the current year. In addition to these expenditures, the Company anticipates significant levels of capital expenditures over the next several years for expanded production capacity to keep pace with commercial sales growth and to automate current production

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

processes. These latter programs will be funded initially by the Company through reinvestment of profits and through other alternate sources of financing to be identified.

The Company intends to continue increasing funds available for research and development activities. This includes increasing expenditures for high priority R&D programs, particularly new generation auto-injectors and other programs determined to provide the greatest potential benefit to the Company in the future.

The Company believes its current financing arrangements will continue to satisfy its needs for working capital and other financial obligations.

Balance Sheet Review

Working capital remained relatively constant during the first six months of fiscal 1992 decreasing from $4.2 million at July 31, 1991 to $4.1 million at January 31, 1992. Receivables increased $2.1 million (38%) resulting from increased deliveries of pre-filled Toradol syringes to Syntex. Inventories declined $877,300 (17%) primarily due to the production and final deliveries of military auto-injectors under existing DoD contracts. As previously reported, the Company extended deliveries of outstanding DoD orders from fiscal 1991 into the current fiscal year in an effort to concentrate on its commercial sales backlog. This delivery extension contributed to higher inventory levels at year end as all components needed to produce these orders had been procured by the Company during fiscal 1991. The decline in military inventories was partially offset by an increase in inventories of commercial products (See Note C in Notes to Consolidated Condensed Financial Statements) which were necessary to support continued sales growth experienced during the current fiscal year. Prepaid expenses and other assets increased $741,500 (160%) due to various factors including annual renewals of certain insurance policies, estimated income tax payments, and increased inventory levels of manufacturing supplies.

Notes payable and accounts payable, which increased $2.7 million at January 31, 1992 when compared to July 31, 1991, were used to finance the increased receivable balances mentioned above and the elimination of customer deposits as described in more detail below. Also contributing to the increase in notes payable was the continued investment by the Company in production automation through the reinvestment of current period profits offset by principal repayments due under the Syntex Loan Agreement (see "Liquidity and Capital Resources" above). Customer deposits, which

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

consist of advances received under various commercial syringe filling and packaging agreements, decreased $1,256,900 (94%) as advances from Syntex were discontinued in conjunction with the signing of the Loan Agreement in April 1991. The customer deposit balance as it relates to Syntex was eliminated with deliveries against outstanding purchase orders during the first quarter. Other liabilities and accrued expenses decreased $668,600 (36%) as a result of the Company's profit sharing contribution ($183,500), accrued in fiscal 1991, made during the current period, as well as, the accelerated amortization of the deferred gain ($388,300) on the sale of the corporate headquarters building.

Capital expenditures, which aggregated $1.5 million through the first six months of fiscal 1992, consisted of improvements designed to increase production capacity in support of continued commercial sales growth and to automate current production processes at the Company's St. Louis manufacturing facility. Shareholders's equity increased $928,100 (11%) as the result of net income ($670,000) for the six-month period ended January 31, 1992 coupled with the issuance of restricted stock ($135,000) and common stock ($123,100) through the exercise of employee stock options.

Results of Operations

Consolidated net sales for the second quarter and first six months of fiscal 1992 were $10 million and $19.4 million, representing respective decreases of $4.3 million (30%) and $4.5 million (19%) over the comparable prior year periods. As anticipated, the Company reported continued sales growth from its commercial products in the second quarter of fiscal 1992. Revenue from commercial products increased $3.7 million (74%) and $6.5 million (71%) during the current quarter and first six months of fiscal 1992, respectively, when compared with the same prior year periods. Sales in fiscal 1991 included significant orders from the DoD and other allied foreign governments for military auto-injectors containing nerve gas antidotes in support of Operation Desert Storm. Increases in commercial product sales were offset by anticipated decreases in sales of military auto-injectors and the absence of revenues of $452,100 and $914,000 in the second quarter and six-month period ended January 31, 1992, respectively, from outpatient cardiac services due to the disposition of this business in the third quarter of fiscal 1991. See "Quarter and Six-Months in Review" above for further discussion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Gross margins in the second quarter and first six months of fiscal 1992 were below those experienced in the comparable prior year periods due to the anticipated increase in the sales volume of lower margin products. Margins in the second quarter of fiscal 1992 increased over those realized in the first quarter. Management has implemented an action plan designed to improve margins as loan proceeds from the Syntex Loan Agreement have enabled the Company to accelerate its capital expansion program. This includes automation of certain labor intensive operations to reduce operating costs which should result in continuing margin improvements during the latter half of fiscal year 1992. The capital expansion program also includes a facility expansion to increase production capacity which will be financed partially through proceeds from the Syntex Loan Agreement as well as through the reinvestment of profits and other alternate sources of financing to be identified.

Selling, general and administrative expenses decreased $453,400 (35%) and $750,600 (32%) in the second quarter and for the six-month period ended January 31, 1992 when compared with the same prior year periods. This decrease is attributable to management's efforts to reduce overhead costs and streamline operations, which included the disposition of the Company's outpatient care division in the third quarter of fiscal 1991. Research and development expenditures remained constant in the second quarter and increased $59,000 (13%) in the first six months of fiscal 1992 versus the comparable prior years periods. The Company is continuing efforts to improve current production techniques as well as developing new automatic injectors and other devices for the military and civilian markets. Depreciation and amortization expense increased $105,900 (43%) in the second quarter and $135,400 (27%) in the six-month period ended January 31, 1992 when compared with the same prior year periods, due to higher levels of capital expenditures during the latter part of fiscal 1991 and into fiscal 1992. Higher production levels also increased depreciation on component molds. The Company anticipates depreciation expense to increase in future periods in conjunction with the significant levels of capital expenditures anticipated for expanded production capacity.

Other income, net of other expenses, increased $196,500 and $487,200 for the second quarter and six months ended January 31, 1992, respectively, when compared with the same periods last year. This was due in part to a decrease in interest expense of $16,500 (18%) and $85,600 (40%) in the current quarter and first six months of fiscal 1992 resulting from lower levels of bank borrowings and lower interest rates. A more significant factor contributing to this increase was the accelerated amortization of the deferred gain on the sale/leaseback of the corporate headquarters building which

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

aggregated $133,600 and $267,300 in the quarter and first six months. The accelerated gain reflects the revised lease term in conjunction with the previously reported early lease termination. Lastly, the Company recorded the sale of an investment in a small research venture during the first six months of fiscal 1992, resulting in a gain of $58,100. There were no material income and/or losses generated over the three years in which the Company held this investment.

The provision for income taxes recorded for the six-month period ended January 31, 1992 contains a charge in lieu of federal and state income taxes that would be required to be paid had the Company not been able to utilize its remaining operating loss carryforwards. The tax benefit for the period of $36,600 ($.01 per share) resulting from such utilization is shown as an extraordinary item in the Consolidated Condensed Statements of Income. During the second quarter and first six months of fiscal 1991, similar tax benefits of $588,900 ($.20 per share) and $684,700 ($.23 per share) resulting from such utilization were shown as an extraordinary item. The Company's effective tax rate for the next three months and six months ended January 31, 1992 is lower than the statutory tax rate due to the utilization of available tax credit carryforwards.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

On January 9, 1992 at the Annual Meeting of Shareholders of the Company, the shareholders elected a Board of five directors named in the Company's proxy statement dated December 10, 1991 who will serve until the next annual meeting of shareholders; approved amendments to the 1986 Stock Option Plan to increase the number of common stock issuable from 250,000 to 500,000 shares thereunder and extend the expiration date of the 1986 Plan from April 23, 1996 to November 25, 2001; and ratified the selection by the Board of Directors of Price Waterhouse as independent auditors of the Company for the current fiscal year.

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K. There were no reports on Form 8-K filed by the Registrant during the three months ended January 31, 1992.

SURVIVAL TECHNOLOGY, INC.
FORM 10-Q
For the Quarter Ended January 31, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SURVIVAL TECHNOLOGY, INC.
Registrant

March 13, 1992
Date

By: James H Miller
James H. Miller
President & Chief Executive Officer
(Principal Executive Officer)

March 13, 1992
Date

By:
Jeffrey W. Church
Vice President - Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)